



## RUSHMOOR BOROUGH COUNCIL

# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 28th November, 2022 at 7.00 pm*

**To:**

**Voting Members:**

Cllr P.J. Cullum (Chairman)  
Cllr Jessica Auton (Vice-Chairman)

Cllr A. Adeola  
Cllr M.S. Choudhary  
Cllr K. Dibble  
Cllr A.H. Gani  
Cllr Christine Guinness  
Cllr Sarah Spall  
Cllr Nem Thapa  
Cllr S. Trussler  
Cllr Jacqui Vosper

**Non-Voting Member:**

Mr T Davies – Independent Member (Audit)

**Standing Deputies:**

Cllr C.P. Grattan  
Cllr Mara Makunura

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

# **A G E N D A**

1. **MINUTES – (Pages 1 - 6)**

To confirm the Minutes of the Meeting held on 26th September 2022 (copy attached).

2. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2022-23 – (Pages 7 - 34)**

To receive the Executive Head of Finance Report No. FIN2235 (copy attached), which sets out the main activities of the treasury management and non-treasury investment operations during the first half of 2022-23.

3. **ANNUAL STATEMENT OF ACCOUNTS - EXTERNAL AUDIT OPINION - UPDATE NO. 3 –**

To receive an update on the current situation from the Executive Head of Finance.

4. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 35 - 40)**

To receive the Audit Manager's Report No. AUD2213 (copy attached), which sets out work carried out by Internal Audit since the previous report, an update on the overall progress on the Audit Plan and an update on outstanding issues.

5. **INTERNAL AUDIT - AUDIT CHARTER – (Pages 41 - 54)**

To consider the Audit Manager's Report No. AUD2214 (copy attached), which seeks approval for an update to the Internal Audit Charter.

6. **PROTOCOL FOR THE SELECTION OF THE MAYOR AND DEPUTY MAYOR – (Pages 55 - 62)**

To consider the Chief Executive and Executive Director's Report No. DEM2201 (copy attached), which recommends updates to the criteria for the selection of the Mayor and Deputy Mayor.

## **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 Monday, 26th September, 2022 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr P.J. Cullum (Chairman)

Cllr A. Adeola  
Cllr M.S. Choudhary  
Cllr A.H. Gani  
Cllr Christine Guinness  
Cllr Nem Thapa  
Cllr S. Trussler  
Cllr Jacqui Vosper

## **Non-Voting Member**

Mr Tom Davies – Independent Member (Audit)

Apologies for absence were submitted on behalf of the Vice-Chairman (Cllr Jessica Auton, Cllr K. Dibble and Cllr Sarah Spall.

Cllrs C.P Grattan and Mara Makunura attended the meeting as Standing Deputies.

## **12. MINUTES**

The Minutes of the Meeting held on 26th July 2022 were agreed and signed as a correct record of the proceedings.

## **13. INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2211, which: provided an overview of the work carried out by Internal Audit in Quarters 1 and 2 to date; a progress update on the 2022/23 Audit Plan; a schedule of work expected to be delivered in Quarters 2 and 3; and, an update on the outstanding audit issues from previous financial years, focusing on specific high risk issues that appeared not to be progressing.

Appendix A to the Report gave details of two high risk issues which had a lack of progress. The Head of IT, who had responsibility for implementing these actions, was in attendance to provide the Committee with an update on progress to date. The Head of IT gave a presentation on the two areas within Application Patch Management, as highlighted in Appendix A and answered Members' questions.

The Committee noted that, in the Audit Manager's opinion, the other high risk issues set out in Appendix B were progressing sufficiently and that appropriate action was being taken to address them.

**RESOLVED:** That the Committee

- (i) note the audit work carried out in Quarters 1 and 2 to date;
- (ii) note the update to the expected deliverables for Quarters 2 and 3;
- (iii) note the outstanding high risk audit issues and engagement by the Services to address them; and
- (iv) note the assurance given by the Head of IT on the two high risk issues of Application Patch Management.

#### **14. REVIEW OF SCRAP METAL AND STREET TRADING LICENSING FEES**

The Committee considered the Head of Operational Services Report No. OS2216 which outlined the background and current fees for the Scrap Metal and Street Trading licensing regimes and sought approval for a proposed new fee scale, as set out in Appendix A to the Report.

In common with many other local authorities, the Council had forecasted a funding gap over the Medium Term Financial Strategy period. A Savings and Transformation Programme was already in place with the Council working on a number of cost reduction and income generation workstreams to mitigate the financial sustainability risk outlined in the Medium Term Financial Strategy. Heads of Service were in the process of reviewing their services to ensure costs were minimised and that income from fees and charges took into account issues of cost recovery. It was noted that the current fee structure for these regimes did not separate the administration and enforcement costs, as required by the Provision of Services Regulations 2009.

In respect of scrap metal dealers, and having reviewed the Council's current costs against some recent changes in structure and process, it had been found that the fees no longer accurately reflected the cost of administering the regime. It was proposed that fees should be amended to achieve full cost recovery, as far as the Council was able to, in accordance with legislation. The proposed new fee scale was set out in Appendix A (Table 1) to the Report with the recommendation to be implemented from 1st October 2022.

In respect of street trading, the Council's costs had been reviewed against some recent changes in structure and process, and it was found that the current fees and fee structure no longer accurately reflected the cost of administering the regime. Members noted that both the current and proposed fees were generally below those of neighbouring authorities. The comparison with neighbouring authorities was set out in Appendix B (Table 2). Some authorities appeared to include the cost of rent of the pitch itself where on Council land (e.g. town centres). Rushmoor charged separately for the rent of any land which was owned by the Council and, therefore,

the proposed fees covered only the element of street trading consent. It was proposed that fees should be amended for the on-going service to achieve full cost recovery as far as the Council was able to in accordance with associated legislation. The proposed new fee scale was set out in Appendix A (Table 2).

The Report set out the difference that the proposed fees were likely to make to the budget for the remainder of the financial year and the following financial year, based on current applications (Appendix C (Table 2)).

The Committee noted that, before varying changes to the fees, legislation required local authorities to give notice to current licence holders and publish a notice in a local newspaper advertising the proposed changes and giving a reasonable period for representations to be made. It was proposed that the Council should allow a period of 28 days for representations and, if there were no significant representations received within that period, that the proposed new fees should be implemented with effect from 1st December 2022.

The Committee was advised of alternative options and the risks and legal implications associated with the proposals.

**RESOLVED:** That

- (i) approval be given to the proposed Scrap Metal Dealer Fees, as outlined in Report No. OS2216, to take effect from 1st October 2022; and
- (ii) approval be given to consultation in accordance with legislation in respect of the proposed Street Trading Fees and, should no significant representations be received, the proposed fees take effect from 1st December 2022.

## 15. **ANNUAL STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT OPINION - UPDATE NO. 2**

The Committee received the Executive Head of Finance Report No. FIN2231 which informed Members of audit progress for the Council's Statement of Accounts for 2019/20 and the provision of the audit opinion since the Committee's meeting on 26th July 2022. The Report also provided an update on the outlined timetable for the audit of the 2020/21 and 2021/22 Financial Statements.

It was noted that the external audit opinion for the 2019/20 accounts was expected in October 2022. The accounts had been updated in respect of asset valuation differences which required review by external audit and consideration of the updated Going Concern Note and cashflow forecast. This would impact on the timing of the external audit for the 2020/21 and 2021/22 accounts as opening and closing balances would need to be restated in light of adjustments made to the 2019/20 accounts.

The Committee was advised that, with three years of active accounts, the complexity and workload of the Finance Team had increased. Over the coming months, the Finance Team would review the way in which the financial system was configured to reduce reliance on manual reconciliations and for the financial system to produce

reports and supporting notes. It was noted that, subject to further discussions, it was likely that the 2021/22 accounts would not be audited in the current financial year.

During discussion, it was agreed that it would be useful for the Committee to have an in-depth meeting with the external auditor as soon as was possible.

**RESOLVED:** That

- (i) the Annual Statement of Accounts and External Audit Opinion Update Report No. FIN2231 be noted; and
- (ii) the impact on the outline timetable for the external audit of the 2020/21 and 2021/22 Statement of Accounts approval of the 2020/21 and 2021/22 Statement of Accounts and receiving the Audit Opinion be noted.

#### **16. ANNUAL GOVERNANCE STATEMENT - UPDATE**

The Committee received the Audit Manager's Report No. AUD2212, which gave details of work carried out towards the implementation of the actions defined in the Annual Governance Statement, which had been presented to the Committee in March 2022.

**RESOLVED:** That the Audit Manager's Report No. AUD2212 be noted.

#### **17. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2021/22**

The Committee received the Executive Head of Finance Report No. FIN2232, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations during 2021/22. The Committee was also advised that Prudential Indicators for the 2021/22 financial year had been updated for all treasury management and non-treasury activity during 2021/22.

It was noted that the Council's Treasury Team continued to concentrate on the security of investments, taking due regard for the returns available. The return on treasury management activity was in line with the revised budget for 2021/22. Pooled funds had proved to be robust and had performed well given the wider economic downturn as a result of Covid-19. Increased levels of borrowing meant that the Treasury Team continually reviewed the Borrowing Strategy, weighing up interest rate levels and the risk of refinancing. During the 2021/22 financial year, short-term interest rates had remained low and were forecast to remain low. However, borrowing levels had increased, raising refinancing risk. Levels of borrowing would be continually reviewed to mitigate refinancing risk.

The Committee was advised that, as at 31st March 2022, total borrowing was £100 million, a decrease of £2 million from that as at 31st March 2021. The decreased level of borrowing had been offset by reduced interest rates of borrowing. This had resulted in interest cost of borrowing decreasing by £83,000 compared with 2019/20 costs.

The Council's non-treasury investments risk exposure at 31st March 2022 was £155.1 million, of which £91.6 million had been funded via external loans. It was noted that the rate of return across all the Council's investments had been variable. However, the aggregate rate of return on all the Council's investments had been in line with the estimated return for 2021/22 due to the cost associated with commercial property being clarified during the financial year and the impact of Covid-19.

**RESOLVED:** That the Executive Head of Finance Report No. FIN2232 be noted.

18. **WORK PROGRAMME 2022/23**

**RESOLVED:** That the Committee's programme of future work be noted.

19. **DAVID STANLEY - EXECUTIVE HEAD OF FINANCE**

On behalf of the Committee, the Chairman thanked David Stanley for his service to the Council and wished him well in his new role as Deputy Chief Executive and Section 151 Officer at Cotswold District Council.

The meeting closed at 8.35 pm.

CLLR P.J. CULLUM (CHAIRMAN)

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**Corporate Governance, Audit and Standards  
Committee  
28 November 2022**

**EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2235**

### **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2022-23**

#### **SUMMARY:**

This report sets out the main activities of the Treasury Management and non-Treasury Investment Operations during the first half of 2022-23. Prudential indicators for the 2022-23 financial year have been updated for all treasury management and non-treasury activity during the first half of 2022-23.

#### **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 the first half of 2022-23.

## **1. INTRODUCTION**

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operations for the first half of the year 2022-23. 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 2022-23 on 24 February 2022. The Council has as part of its proactive treasury management approach, invested substantial surplus cash balances (arising from timing differences between receipts and payments) 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 appendices (A to C) set out the Treasury Management operations, Non-Treasury Investment Operations and Prudential Indicators for 2022-23 and fulfil key legislative requirements as follows:

#### **Appendix A**

- The **Treasury Management operations** which sets out how the Council's treasury service operated during the first half of 2022-23, 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 the first half of 2022-23 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 for the first half of 2022-23, 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 for the first half of 2022-23, in accordance with MHCLG Investment Guidance.

#### **Appendix C**

- the **Prudential indicators forecast** sets out the forecast prudential indicators position at the end of 2022-23 based on 2022-23 half year position relating to treasury/non-treasury activities and capital financing for 2022-23. Performance is compared to the indicators set out in the Annual Capital Strategy for the year 2022-23.

### **3 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2022-23 TO DATE**

- 3.1 The Council's treasury team continued to concentrate primarily on the security of investments taking due regard for the returns available whilst managing liquidity.
- 3.2 In relation to borrowing the treasury team continually reviews the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2022-23 financial year short-term interest rates have increased and are forecast to increase further. However, borrowing levels have remained the same. All treasury management borrowing decisions are taken with due regard to refinancing risk.
- 3.3 Total borrowing as at 30 September 2022 is £100m, no change from 31<sup>st</sup> March 2022 year-end position. Year-end borrowing is forecast to be £118.6mm below estimated levels due to slippage on the capital program. The lower level of

borrowing but higher interest rates has resulted in forecast interest cost of borrowing increasing by £0.05m.

- 3.4 The Council is forecast to have non-treasury investments risk exposure of £134.1 of which £118.6m is funded via external loans.
- 3.5 Return of non-treasury investments is forecast to be below estimated return for 2022-23 due to the deferral of interest on Farnborough International Loan until June 2023.

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## APPENDIX A

### TREASURY MANAGEMENT OPERATION FOR FIRST HALF OF 2022-23

#### **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 2022-23. 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 2022-23, 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 the first half of 2022-23. This commentary is provided at **Appendix D**.

### 4 LOCAL CONTEXT

4.1 On 30 September 2022, the Council had net borrowing of £100.0m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes for the 2022-23 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 on 30 September 2022 and the change during the year is shown in the table below.

	31-Mar-22 Balance £m	Movement £m	30-Sep-22 Balance £m	30-Sep-22 Rate %
Long-term borrowing	-	-	-	
Short-term borrowing	100.0	-	100.0	0.39
<b>Total Borrowing</b>	<b>100.0</b>	<b>-</b>	<b>100.0</b>	
Long-term investments	(21.9)	-	(21.9)	4.61
Short-term Investments	-		-	
Cash and cash equivalents	(14.8)	4.2	(10.6)	0.02
<b>Total Investments</b>	<b>(36.7)</b>	<b>4.2</b>	<b>(32.5)</b>	
<b>Net borrowing/(investments)</b>	<b>63.3</b>	<b>4.2</b>	<b>67.5</b>	

4.3 **Liability indicator:** 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.

	31-Mar-22	
	Estimate £m	Forecast £m
Outstanding borrowing	100.0	100.0
Investment MIF	(10.0)	(10.0)
Investments held that can be redeemed	(21.9)	(21.9)
Liability indicator	88.1	88.1

## 5 BORROWING ACTIVITY IN 2022-23

5.1 As at 30 September 2022 the Council held £100m of loans, no change from the position at 31 March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31 March 20203 are summarised in Table 3 below.

	31-Mar-22 Balance £m	Movement £m	30-Sep-22 Balance £m	30-Sep-22 Rate %
Long-term borrowing	-	-	-	-
Short-term borrowing	100.0	-	100.0	0.39
<b>Total Borrowing</b>	<b>100.0</b>	<b>-</b>	<b>100.0</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 considers it to be more cost effective in the near term to use short-term loans.

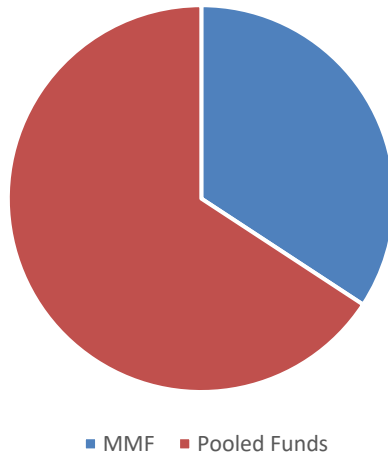
## 6 INVESTMENT ACTIVITY IN 2022-23

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

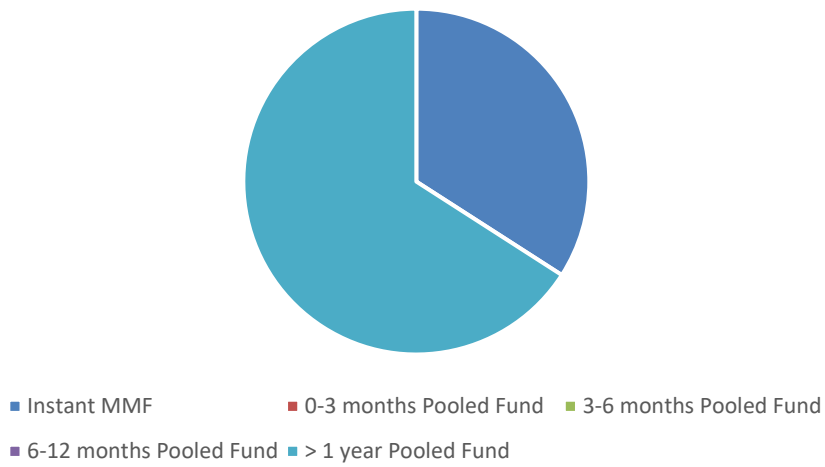
	31-Mar-22 Balance £m	Movement £m	30-Sep-22 Balance £m	30-Sep-22 Rate %
<b>Managed in-house</b>				
Money Market Funds	14.8	(3.4)	11.4	0.02
<b>Managed Externally</b>				
<u>Pooled Funds:</u>				
CCLA LAMIT Property Fund	3.9	-	3.9	3.46
M&G Investments Strategic Corporate Bond Fund	4.0	-	4.0	2.77
UBS Multi Asset Fund	5.0	-	5.0	4.82
Karmes	2.0	-	2.0	5.34
Threadneedle Investments	2.0	-	2.0	2.62
Schroder Income Maximiser	5.0	-	5.0	7.77
<b>Total Investments</b>	<b>36.7</b>	<b>(3.4)</b>	<b>33.3</b>	

- 6.2 The following chart illustrates the spread of investment by type of investment along with maturity analysis.

### Type of Counter Party



### Maturity Analysis





<b>Maturity Analysis for all Investments</b>	<b>Type of Counter Party</b>	<b>Amount Invested £</b>	<b>% of total Investments</b>
Instant	MMF	11,350,000	34.1
0-3 months	Pooled Fund		-
3-6 months	Pooled Fund		-
6-12 months	Pooled Fund		-
> 1 year	Pooled Fund	21,942,954	65.9
<b>Total for all duration periods</b>		<b>33,292,954</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 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 September 2022 was 3.17%.

The rate of return has been calculated as:

External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.

Other investments: effective interest rate (EIR) of investments held at the quarter end date.

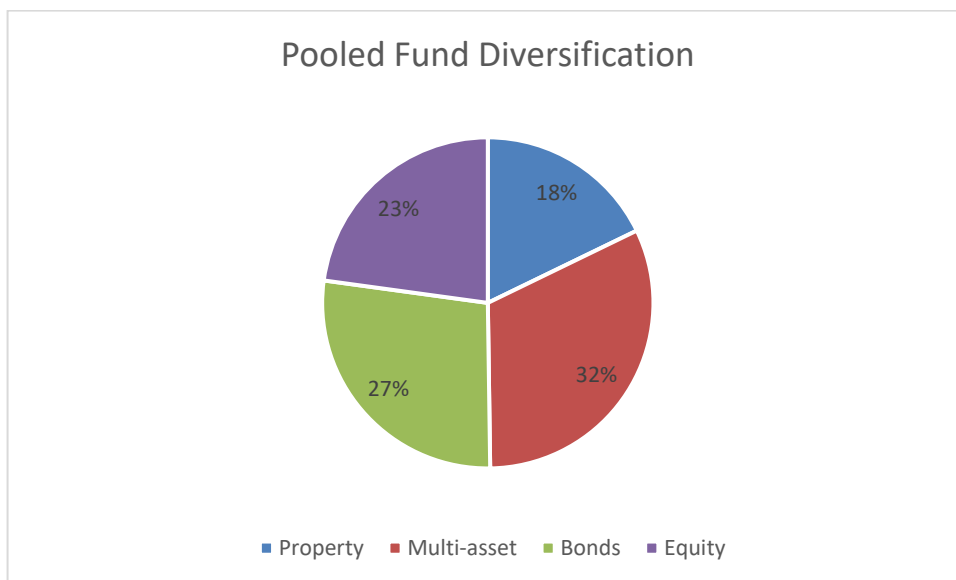
Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.

6.5 The table below shows the credit score and rating of the council's investments.

	Credit Score	Credit Rating	Bail-in Exposure
31-Mar-22	4.97	A+	100%
30-Sep-22	4.96	A+	100%
<b>Similar LAs</b>	<b>4.34</b>	<b>AA-</b>	<b>57%</b>
<b>All LAs</b>	<b>4.29</b>	<b>AA-</b>	<b>55%</b>

### External Strategic Pooled Funds

6.6 £21.9m of the Council’s investments are held in externally managed strategic pooled equity, multi-asset, bond and property funds where short-term security and liquidity are lesser considerations, and objectives are regular revenue income and long-term price stability. The pooled fund portfolio has generated an average total return during the first half of 2022-23 of (7.98)%. Capital returns have decreased by 10.25%. A summary of returns and diversification is set out below.

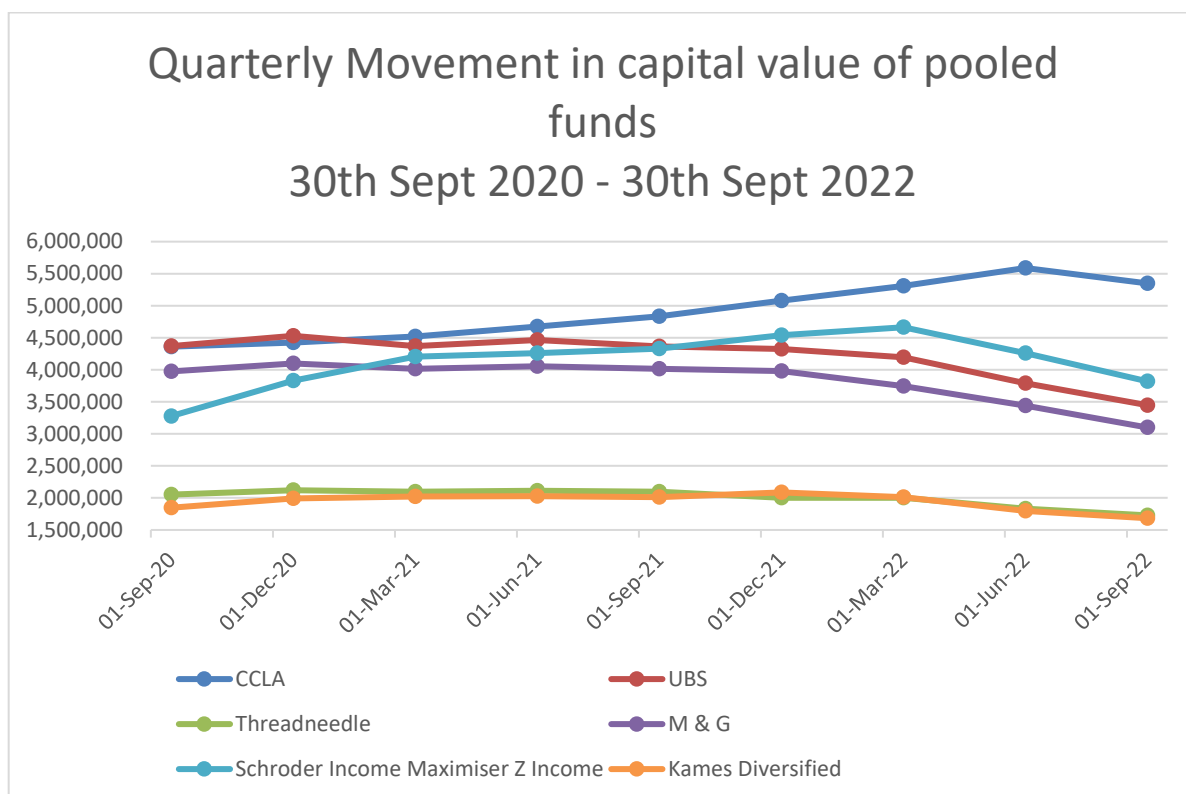


Type of Pooled Fund	Amount invested £m	% of Total Investments
Property	3.9	18%
Multi-asset	7.0	32%
Bonds	6.0	27%
Equity	5.0	23%
<b>Total</b>	<b>21.9</b>	<b>100%</b>

Type of return	2021/22 average return %	2022/23 average return %
Income	2.79	3.71
Capital	3.07	(11.69)
<b>Total Return</b>	<b>5.86</b>	<b>(7.98)</b>

- 6.7 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 increased.
- 6.8 Details of the Council's investment activity together with returns generated during 2022-23 are outlined as follows:
- 6.9 **Capital returns** – the Council's pooled fund portfolio has decreased in value during the first half of 2022-23 year. Aggregation of the Council's pooled funds resulted in an overall decrease in fair value for the first half of the year 2022-23 of £2.6m (an aggregate increase of 11.7% of overall pooled funds invested).

6.10 There is variation in performance across the portfolio over the last two years as shown below.



6.11 **Income Returns** – The income returned by fund for the period to 30 September 2022 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 3.46% annualised income during 2022-23.
- 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 4.82% annualised income during 2022-23.

- 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 2.62% annualised income during 2022-23
- 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 2.77% annualised income during 2020/221.
- 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 7.77% per annum. The fund has returned 6.78% annualised during 2022-23.
- 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 5.343% annualised during 2022-23.

## 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 the table below.

	30-Sep-22 Actual £m	2022-23 Limit £m	Complied ?
Any group of pooled funds under the same management	21.9	25.0	Yes
Money Market Funds	11.4	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.

	30-Sep-22 Actual	2022-23 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.

	30-Sep-22 Actual £m	2022-23 Target £m	Complied ?
Total sum borrowed in past 3 months without prior notice	-	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:

	30-Sep-22 Actual £m	2022-23 Limit £m	Complied ?
Upper limit on one-year impact of a 1% <b>rise</b> in interest rates	0.4	0.5	Yes
Upper limit on one-year impact of a 1% <b>fall</b> in interest rates	0.3	0.5	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:

	30-Sep-22	2022-23		Complied ?
	Actual	Upper	Lower	
	%	Limit	Limit	
Under 12 months	100	100	-	Yes
12 months and within 24 months	-	100	-	Yes
24 months and within 5 years	-	100	-	Yes
5 years and within 10 years	-	100	-	Yes
10 years and above	-	100	-	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:

	2022-23	2021-22	2020-21
	£m	£m	£m
Actual principal invested beyond year end	21.9	21.9	21.9
Limit on principal invested beyond year end	90.0	90.0	90.0
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 2020/201 is shown in the table below.

Budgeted income and outturn	2022-23		Variance
	Budget £m	Forecast £m	£m
Interest receivable	(1.46)	(1.32)	0.15
Interest payable	1.25	1.75	0.50
<b>Net amount</b>	<b>(0.21)</b>	<b>0.44</b>	<b>0.65</b>



**NON-TREASURY INVESTMENT OPERATIONS FOR FIRST HALF OF 2022-23**

**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 £134.5m of such investments at as 30 September 2022 in:
- directly owned property £126.6m
  - loans to local businesses and landlords £6.7m
  - loans to subsidiaries and partnerships £1.2m

**2 PROPORTIONALITY**

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

	2021-22	2022-23	
	Actual £m	Estimate £m	Forecast £m
Gross Service Expenditure	58.9	64.9	64.9
Investment Income	8.8	9.2	9.2
Proportion	14.9%	14.2%	14.2%

### 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:

Category of Borrower	2020/21 Approved Limit £m	2020/21 Actual £m
Local businesses	6.7	6.7
Subsidiaries & Partnerships	3.5	1.2
Employees	0.1	0.1
<b>Total</b>	<b>10.3</b>	<b>8.0</b>

Service loans have generated a lower return for the Council during the first 6 months of 2022-23 financial year due to the postponement of loan interest to local businesses

### 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 to support local public services and stimulate local economic growth.

## 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 2022-23 will decrease the overall portfolio to £107.4m as outline in table 4 below.

Property by Type	2022 Carry Forward	2022/23 transactions		Year end value
		Purchase Cost	Sales	
Mixed Use Industrial Units	4.5	-		4.5
Retail	24.3	-	(0.6)	23.7
Offices	49.9	-		49.9
	29.3	-		29.3
<b>Total</b>	<b>108.0</b>	<b>-</b>	<b>(0.6)</b>	<b>107.4</b>

- 5.2 Commercial property investments generated £1.1m of net investment income in the first half of the year for the Council after taking account of direct costs, cost of borrowing and Minimum Revenue Provision (MRP)

## 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.

Total Investment Exposure	31-Mar-23	
	Estimate £m	Forecast £m
Treasury Management Investments	23.9	26.9
Service Investments: Loans	14.5	8.0
Service Investments: Shares	0.6	-
Commercial Investments: Property	123.7	126.1
<b>Total Investment</b>	<b>162.7</b>	<b>161.0</b>
Commitment to lend	2.9	-
<b>Total Exposure</b>	<b>165.6</b>	<b>161.0</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.

Investments funded by borrowing	31-Mar-23	
	Estimate £m	Actual £m
Treasury Management investment	-	-
Service Investments: Loans	9.1	8.0
Service Investments: Shares	0.6	-
Commercial Investments: Property	90.3	110.6
<b>Total Funded by Borrowing</b>	<b>100.0</b>	<b>118.6</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.

Investments rate of return (net of all costs)	31-Mar-23	
	Estimate %	Actual %
Treasury Management investment	4.0	4.6
Service Investments: Loans	0.2	5.5
Service Investments: Shares	-	-
Commercial Investments: Property	2.6	2.6

- 6.5 The above table shows a forecast reduction in Treasury management investments and Service Investment Loans net of all finance costs in 2022-23. This is due to the economic downturn as a result of COVID-19. Commercial Property shows a forecast improvement in return net of all finance costs in 2022-23. This is due to the reduced cost of borrowing as a result of lower bank of England interest rates..

**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.

	2022-23	
	Budget £m	Forecast £m
General Fund services	40.0	27.9
<b>Total</b>	<b>40.0</b>	<b>27.9</b>
External Sources	8.9	8.9
Own Resources	1.0	0.4
Debt	30.1	18.6
<b>Total</b>	<b>40.0</b>	<b>27.9</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:

	2022-23	
	Budget £m	Forecast £m
Own Resources	3.2	2.5

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

	2022-23	
	Budget £m	Forecast £m
General Fund services	170.7	143.0
Minimum Revenue Provision	(3.2)	(2.5)
IFRIC 4 Lease Adjustment	(0.3)	(0.3)
<b>Total CFR</b>	<b>167.2</b>	<b>140.2</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.

	2022-23	
	Budget £m	Forecast £m
Debt (inc. leases)	155.6	120.5
Capital Financing Requirement	167.2	140.2
Difference	11.6	19.7

- 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.

	2022-23	
	Budget Limit £m	Forecast Limit £m
Authorised Limit - total external debt	200.8	200.8
Operational Boundary - total external debt	195.8	195.8



### Market commentary regarding the year 2022-23 from the Council's treasury management advisors Arlingclose

#### External Context

##### **Economic commentary**

The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and -2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of -44 in August, down -41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the

following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23<sup>rd</sup> September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% - 3.25%.

Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from -0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

#### **Financial markets:**

Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

**Credit background:**

In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment. Fitch also revised the outlook for Bank of Nova Scotia from negative to stable due to its robust business profile.

Also in July, Moody's revised the outlook on Bayerische Landesbank to positive and then in September S&P revised the GLA outlook to stable from negative as it expects the authority to remain resilient despite pressures from a weaker macroeconomic outlook coupled with higher inflation and interest rates.

Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review

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**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE**

**AUDIT MANAGER  
REPORT NO. AUD 22/13**

**28 NOVEMBER 2022**

**INTERNAL AUDIT – AUDIT UPDATE**

**SUMMARY:**

This report describes:

- The work completed by Internal Audit since the last report;
- A progress update on the 2022/23 Audit Plan; and
- An update on outstanding audit issues.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work completed since the last update.
- ii. Note the update to the expected deliverables for Quarters 3.
- iii. Note the outstanding audit issues.

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work completed since the update provided to the Committee in September;
- A progress update on the 2022/23 Audit Plan;
- A schedule of work expected to be delivered in Q3; and
- An update on the outstanding audit issues, highlighting any significant risk exposures or control issues.

**2 Audit Work Completed**

2.1 The table below provides an overview of the assurance opinion, given to the completed audit since the last update:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2022/23 Internal Audit Plan</b>				
Covid-19 Business Grants	Substantial	0	0	0

2.2 Below is a summary of the key findings from the audit.

### Covid-19 Business Grants

From March 2020, the Revenues team were under pressure to manage the various schemes as they were introduced by Central Government, interpret the guidance, issue local guidance, support and communicate with the local businesses, manage their questions and demands for payment, assess every claim for validity and ensure that payments were made in a timely manner.

The outcome of this audit has identified that the Revenues team succeeded in this notable challenge.

For each Grant scheme, the Department for Business, Energy and Industrial Strategy (BEIS), required Local Authorities to submit weekly submissions on values and number of payments. Post-completion of every scheme, BEIS then selected a small random sample of payments (c.5) and the supporting documentation had to be provided. For RBC's payments, these were all accepted as satisfactory by BEIS.

## **3 Progress towards the 2022/23 Audit Plan**

3.1 Since the last update to the Committee, there has been one change to the audits set out within the 2022/23 Audit Plan. One audit is being carried out in the next financial year due to pressures within the service. This will not impact on the overall number of assurance audits carried out within the financial year as an additional unplanned investigation was carried out earlier in the year. More importantly there remains a sufficient spread of planned assurance across the organisation to enable the Audit Manager to provide the audit opinion at year end.

3.2 The table below provides a summary of progress to date (18/11/22):

<b>Audit/ Audit follow up status</b>	<b>Number of reviews</b>	<b>%</b>
Finalised	4	19
In progress	7	33.4
	<b>11</b>	<b>52.4%</b>
Audits not yet due to be started	10	47.6
<b>Total</b>	<b>21</b>	<b>100%</b>

*NB: The figures within the table include 2 audits carried forward from the 2021/22 audit plan.*

3.3 The table below details the scheduling of the audits for the rest of the financial year. Currently the audit plan is on track to be completed by the end of the financial year.

	<b>July</b>	Staff Recruitment & Retention Audit
<b>Q2</b>	<b>August</b>	Covid-19 Business Grants Audit (WBC)
	<b>September</b>	Procurement Audit (PCC)
	<b>October</b>	Financial Grants to Organisations (WBC) Cyber Security (PCC) Cash Receipting (IMS) Audit
<b>Q3</b>	<b>November</b>	Council Tax - Billing, Collection & Recovery Audit s106 (SANGS) - Follow Up Audit
	<b>December</b>	Treasury Management Audit Taxi Licencing - Follow Up Audit Concerto Property System - PIR Audit
	<b>January</b>	Performance Management Audit (WBC) CREP - VFM Audit CCTV Audit Information Governance Audit (WBC)
<b>Q4</b>	<b>February</b>	Application Patch Management - Follow Up Audit (PCC) IT Development (PCC)
	<b>March</b>	
		Underway
		Completed
		Draft report stage

#### 4. Expected Deliverables for Q3 2022/23

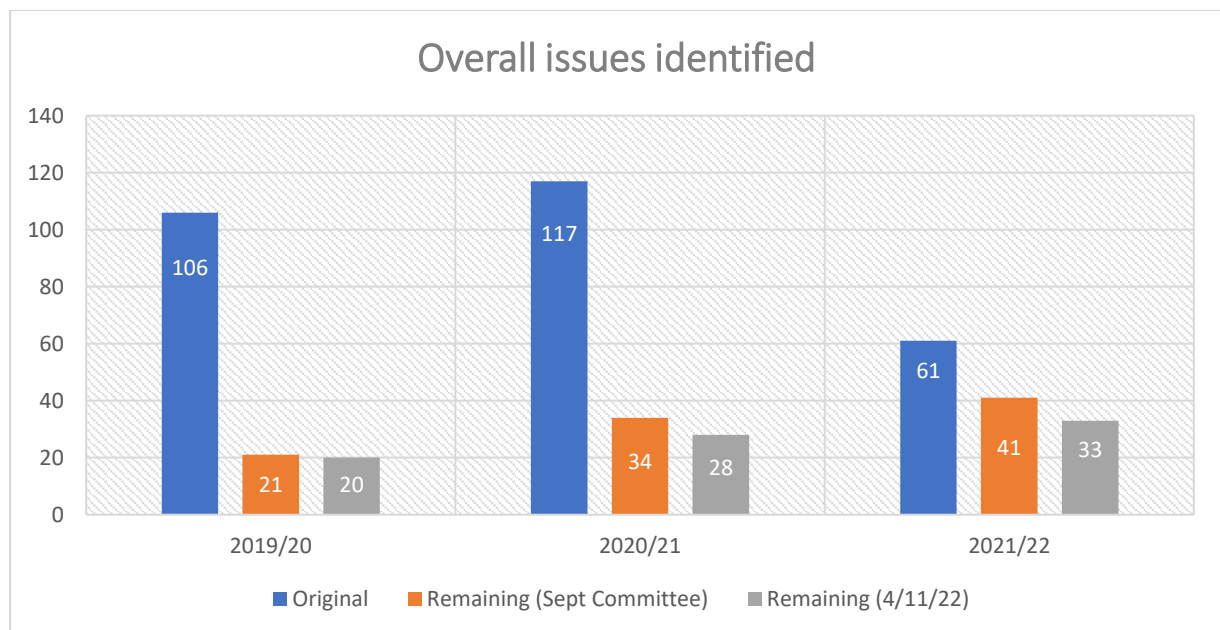
4.1 The work expected to be delivered in quarter 3 is detailed within the table below. It should be noted that 7 of these audits have already commenced. These audits can be subject to change due to the evolving auditing environment. Updates on these will be provide at the next committee meeting:

Service	Audit/ follow up/descriptor
Democracy	Alderwood Leisure Centre – <i>A follow-up of the audit from 2020/21</i>
HR&OD	Staff Recruitment & Retention – <i>A review over staff vacancies, especially key positions, and the measures taken to retain staff</i>

Service	Audit/ follow up/descriptor
IT	Cyber Security - <i>A review over the Council's IT infrastructure to ensure it is robust, secure and supports service delivery</i>
Democracy	Financial Grants to Organisations – <i>A review over the process by which monies are granted to local organisations</i>
Finance	Cash Receipting – <i>A review over key financial system</i>
ACE	Procurement – <i>A review of the procurement process in the Council and the interaction with Portsmouth CC under the Service Level Agreement.</i>
Finance	Council Tax Billing, Collection & Recovery – <i>A review of Council Tax with a focus on debtors and recovery</i>
Property, Estates and Technical Services	Concerto Property System – PIR Audit – <i>A review of the implementation of the new property system.</i>
Economy, Planning and Strategic Housing	Suitable Alternative Natural Green Space (SANGS) - <i>A follow-up of the audit from 2019/20</i>

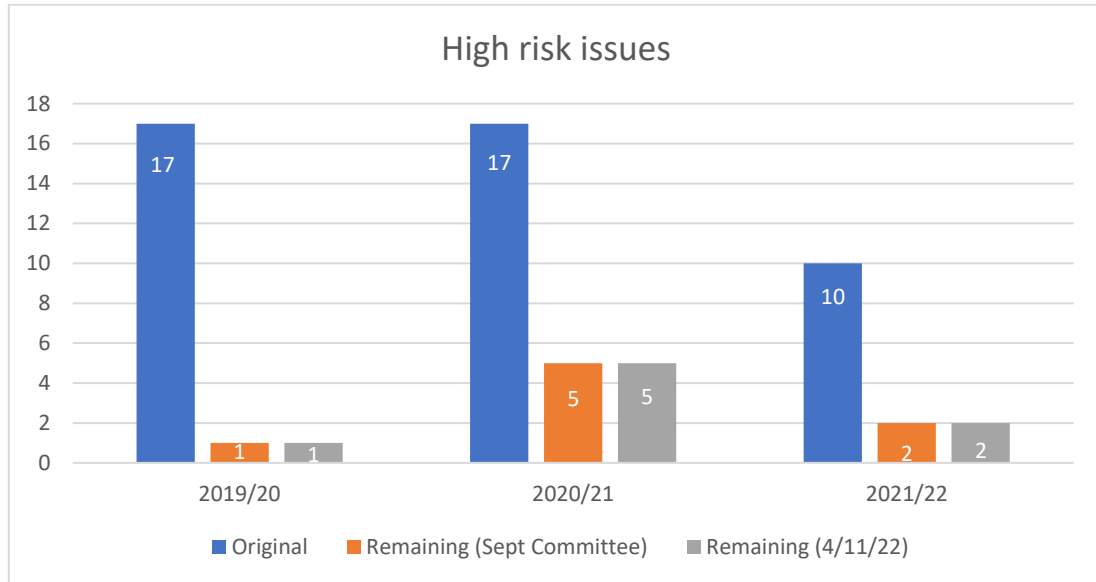
## 5. Outstanding Audit Issues

5.1 Overall, there has been a steady progress in the implementation of outstanding audit issues since the last report to this Committee. The graph below shows the overall number of audit issues identified for each financial year and the number which remain outstanding as of November 2022.





6.2 The high-risk issues identified are ones which require focus by the organisation in order to implement the actions agreed to mitigate the high-risk issues identified. Below the graph shows the number of high-risk issues identified against the number implemented as of November 2022.



6.3 It is in the Audit Manager’s opinion that sufficient progress is being made towards the high-risk recommendations and there is no significant issues to draw to the Committee’s attention in relation to these.

6.4 The table below shows the expected completion date for these outstanding high risks.

Year recommendations made	Service Area	Audit	No. of high-risk recommendations	Expected implementation date	Total
2019/20	Finance/IT	PCI DSS	1	31/3/23	
					<b>1</b>
2020/21	IT	Application Patch Management	2	31/3/23	
2020/21	Finance	Purchase Ledger	2	28/2/23	
2020/21	ACE	Contract Management	1	31/3/23	
					<b>5</b>
2021/22	Finance	Insurance	2	31/12/22	
					<b>2</b>

## 7. Recommendation

- 7.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2022/23 audit plan, the expected deliverables for Q3 and the outstanding audit issues.

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**HEAD OF SERVICE:** Ross Brown, Interim Executive Head of Financial Services and S151 Officer

**References:** *Internal Audit – Audit Plan 2022/23*, presented to the Committee on 28 March 2022.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 28th March, 2022, 7.00 pm - Rushmoor Borough Council](#)

28<sup>th</sup> NOVEMBER 2022**INTERNAL AUDIT – AUDIT CHARTER****SUMMARY:**

The Internal Audit Charter, which details the purpose, authority and responsibility of Internal Audit within Rushmoor Borough Council, has been reviewed and updated by the Audit Manager.

**RECOMMENDATION:**

Members are requested to endorse the updated Internal Audit Charter.

**1 Introduction**

- 1.1 The Internal Audit Charter (“the Charter”) details the purpose, authority and responsibility of Internal Audit within Rushmoor Borough Council (RBC).
- 1.2 The Committee is required to approve the Charter in line with their powers and duties detailed within the Constitution.

**2 Internal Audit Charter**

- 2.1 As part of the Public Sector Internal Audit Standards (PSIAS) there is a requirement to have in place a Charter, which should be periodically reviewed by the Audit Manager and presented to the Committee.
- 2.2 The Charter has been updated to refine the purpose, authority and responsibility of Internal Audit, details of which are contained within **Appendix A**.

**3 Recommendation**

- 3.1 Members are requested to endorse the updated Internal Audit Charter.

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**HEAD OF SERVICE:** Ross Brown, Interim Executive Head of Financial Services &  
s151 Officer

**References:**

- Public Sector Internal Audit Standards (PSIAS)

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>



# INTERNAL AUDIT CHARTER

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**Author Nikki Fleming, Audit Manager**

**Reviewed November 2022**

**Version: 1.3**

**Endorsed by: Corporate Governance, Audit & Standards Committee – ?? 2022**

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## 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were formally adopted by CIPFA and IIA on the 1<sup>st</sup> April 2013 and updated on 1<sup>st</sup> April 2017. The PSIAS replaced the CIPFA code of practice for Internal Audit in Local Government in the UK (2006).
- 1.2 The Internal Audit Charter (“Charter”) establishes the purpose, authority and responsibilities for the Internal Audit service at Rushmoor Borough Council (RBC) and has been developed in line with the PSIAS requirements. It is further guided by the CIPFA Local Government Application Note (April 2013) (LGAN), which was published to assist in the implementation of the PSIAS.
- 1.3 The Charter is subject to approval by the Corporate Governance, Audit & Standards (CGAS) Committee on an annual basis, in line with the PSIAS requirements.

## 2. Definitions and roadmap

- 2.1 RBC has defined the following individuals referred to in the PSIAS as follows:

<b>Terminology in PSIAS</b>	<b>Meaning in PSIAS</b>	<b>Who in RBC</b>
The Board	The governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.	The CGAS Committee
Senior Management	Those responsible for the leadership and direction of the Council.	Executive Leadership Team (ELT)/ Cabinet
Chief Audit Executive (CAE)	A person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit Charter and the Public Sector Internal Audit Standards.	Internal Audit Manager

### 3. Purpose of Internal Audit

3.1 The definition of internal auditing as defined within the PSIAS is;

*'Internal auditing is 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.'*

3.2 RBC's Senior Management is responsible for establishing and maintaining appropriate governance, risk management processes and controls (GRC) arrangements. Internal Audit plays a vital role in advising and providing overall assurance to the Board and Senior Management that the GRC arrangements in place are operating effectively.

3.3 The Internal Audit service provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes, where necessary.

### 4. Scope of Internal Audit

#### 4.1 **Annual Audit Opinion (AAO)**

The CAE will provide an AAO, which will conclude on RBC's overall adequacy and effectiveness of its framework of GRC based mainly on the work carried out during the year. This opinion is used as a key part of the Annual Governance Statement (AGS).

The AAO given will be based on reasonable and not absolute assurances and will include any limitations to scope affecting the opinion. The AAO will include:

- The Opinion itself;
- A summary of the work that supports the opinion, including any other sources of assurance, e.g., from the Corporate Governance Group (CGG); and
- A statement on conformance with PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).

#### 4.2 **Annual Audit Plan (AAP)**

The CAE will review the audit risk universe annually. This will help to develop the annual risk-based audit plan, as this will highlight key risk areas within the organisation. Furthermore, the Corporate Risk Register and RBC's priorities and objectives will be used to help develop the AAP.

As part of the planning process, the CAE will identify other potential sources of assurance and will include the approach to using other sources of assurance and any work required to enable reliance to be placed upon these other sources, e.g., the CGG.



The AAP will be set prior to the start of the financial year and agreed by Senior Management and the Board. However, the AAP will remain flexible in order to meet the evolving auditing environment within RBC throughout the year.

Bi-monthly update reports to Senior Management and the Board will detail any changes required to the AAP.

The resource requirements to achieve the AAP will be reviewed and, if any resource limitations are identified that will impact on the delivery of the AAP, will be highlighted to Senior Management and the Board.

#### 4.3 ***Risk based audits***

Internal Audit will not be restricted to the audit of financial systems and controls but will also cover all operational and management controls. Audit work will be undertaken using a risk-based approach and carrying out reviews of the corporate and service risk registers. This identifies the risks associated with the achievement of the business objectives and reviews the design and operation of the controls in place to mitigate key risks, to ascertain the residual risk to the achievement of management's objectives.

#### 4.4 ***Recommendations from audits***

Where control weaknesses are found, an appropriate action plan will be agreed with the head or manager of the service. Internal Audit will maintain a record of these, which will be used to track implementation, as well as for future follow up audits. An important element of audit work is to provide assurance to Senior Management and the Board as to whether audit recommendations have been successfully implemented by management, as this helps to support the CAE's overall assurance opinion. A rolling list of audit recommendations will be maintained and updates on incomplete recommendations will be reported to Senior Management and the Board on a bi-monthly basis.

#### 4.5 ***Consultancy services***

Internal Audit may also provide consultancy services, such as advice on the design and implementation of a new system, key project or process. The nature and scope of which will be agreed with the client and intended to add value and improve RBC's GRC processes without Internal Audit assuming responsibility. Any significant consulting activity not already included in the AAP, which may affect the level of assurance work undertaken, will be reported to the Board and Senior Management for approval.

#### 4.6 ***Special reviews/ fraud prevention and detection***

The Internal Audit service will assist RBC by:

- Promoting an anti-fraud, anti-bribery, anti-corruption culture, which aids prevention and detection.
- Ascertaining the effectiveness of fraud prevention controls and detection processes.

- Bringing to the CAE's attention any irregularities identified during the course of audit work which may be the result of fraud or corruption.
- Providing assurance that any remedial actions required, as a result of an investigation, have been implemented.

## 5. Organisational independence

- 5.1 The Internal Audit service has no operational responsibilities for any financial systems, including system development and installation. However, it may provide advice on control implementation and risk mitigation where relevant throughout the design and implementation stages of new systems, key projects and processes.
- 5.2 The PSIAS requires that reporting management arrangements must be put in place that preserve the CAE's independence and objectivity and that they report to a level within RBC that allows them to provide credibly constructive challenge to Senior Management to impact on the GRC arrangements.
- 5.3 Within RBC, the CAE reports administratively to the Executive Head of Financial Services (Section 151 Officer) and has free and unfettered access to the Chief Executive, Chair of the CGAS Committee and Monitoring Officer.
- 5.4 Internal Audit will ensure that independence and objectivity are maintained in line with the PSIAS including where non-audit work is undertaken. To manage potential conflicts of interest, Internal Audit have no operational responsibilities and any independence issues are highlighted at the planning stage for individual audit assignments.
- 5.5 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to the CAE and reported to the Executive Head of Financial Services (Section 151 Officer).

## 6. Responsibility

- 6.1 **CAE**  
The CAE must ensure that:
- They carry out an audit needs risk assessment using the audit universe in order to prioritise the results into an AAP.
  - Agree the AAP with Senior Management and the Board.
  - The Internal Audit resources are appropriate and sufficient to achieve the Audit Strategy. Any inadequacies will be raised with Senior Management and the Board.
  - There are appropriate policies and procedures in place to guide the Internal Audit activities in line with PSIAS and appropriate regulations.
  - Appropriate corporate counter-fraud policies are in place and periodically reviewed for adequacy and effectiveness.

- Internal Audit complies with the PSIAS and Code of Ethics. Any non-compliance will be reported to senior management and the board.
- Periodical reviews of policies, procedures and the Internal Audit Charter will be carried out to ensure adequacy and effectiveness of this within the evolving auditing environment.
- Confidentiality is maintained at all times.
- Internal Audit do not audit activities for which they previously had responsibility within the last 12 months.
- Regular follow ups on audit recommendations are carried out and management have taken action to implement the agreed actions. Where key agreed actions have not been implemented this will be reported to Senior Management and the Board.
- Where management has accepted a level of risk that may be unacceptable to RBC, as per the Corporate Risk Appetite, the matter will be discussed with Senior Management, as relevant or escalated to the Board to be resolved.
- Access to audit records is controlled and only released in accordance with the Freedom of Information and General Data Protection Regulations (GDPR) 2018 Act.
- All records are retained for the required period and in line with RBC's retention guidelines.
- They report to the Board on a regular basis in line with the agreed work programme for the CGAS Committee.

## 6.2 **Auditors**

All auditors must ensure that they:

- Maintain professional independence, objectivity, integrity and confidentiality.
- Refrain from assessing any activity to which they were previously responsible within the last 12 months, although they may provide consultancy services.
- Possess the knowledge, skills and other competencies needed to perform their individual responsibilities and that they enhance those skills through continuing professional development.
- Exercise due professional care at all times.
- Assist management in establishing or improving GRC processes, without managing them.
- Give adequate notice of the start of a planned audit.
- Develop and document a plan of each assignment detailing its objectives, scope and any limitations, and timing.
- Consider the objectives, risks, effectiveness of the control framework, of the activity under review, when planning and setting the objectives of each assignment.
- Develop and document a programme of work that achieves the audit objectives.
- Document sufficient information on their identification, analysis and evaluation of risks and controls within the area being audited.
- Communicate their findings based on opinion ascertained from these evaluations, providing an overall conclusion and assurance

level, recommendations (where applicable) and proposed action plan.

- Communicate all findings in an accurate, objective, clear, concise, constructive, complete and timely manner in accordance with PSIAS.
- Agree a plan of action with the auditee to mitigate the control weaknesses identified.
- Maintain professional independence, objectivity, integrity and confidentiality.
- Inform the CAE of any areas where they could have a conflict of interest which could impair or be perceived to impair their objectivity.
- Securely hold any documents, property, or other material obtained for audit use or investigations.
- Act with due care to provide reasonable assurance on the adequacy of control.

### 6.3 **Section 151 Officer**

The section 151 officer has the authority to ensure that the provision of Internal Audit is sufficient to meet the section 151 requirements.

The section 151 officer must ensure that:

- Any suspected irregularities are properly and appropriately investigated and action taken.
- They are satisfied that the AAO and the AGS reflect accurately the position of the control framework.

### 6.4 **Monitoring Officer**

The monitoring officer is responsible for:

- Ensuring lawfulness and fairness in decision making
- Dealing with investigations into matters referred to them and make reports or recommendation in respect of them
- Provide advice on:
  - The scope of powers to take decisions
  - Maladministration
  - Financial impropriety
  - Probity

### 6.5 **Chief Executive**

The Chief Executive carries the responsibility for the proper management of RBC and for ensuring that the principles GRC are reflected in sound management arrangements.

### 6.6 **Members**

Members are required to scrutinise the work of Internal Audit in line with the Terms of Reference for the CGAS Committee. The Members are responsible for:

- Approving the Internal Audit Charter

- Reviewing the risk-based AAP, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Approving significant changes to the risk-based AAP and resource requirements.
- Making appropriate enquiries of both management and the CAE to determine if there are any inappropriate scope or resource limitations, in respect of carrying out internal audit work.
- Considering reports from the CAE on Internal Audit's performance during the year.
- Considering the CAE's annual assurance opinion report
- Receiving summaries of Internal Audit reviews and recommendations made as set out in the AAP.
- Receiving updates on key recommendations not yet implemented.
- Holding management accountable for the implementation of key recommendations and where necessary calling them into committee meetings to provide updates on progress.
- Receiving reports outlining the action taken where the CAE has concluded that management has accepted a level of risk that may be unacceptable to RBC or there are concerns about progress with the implementation of agreed actions.
- Providing free and unfettered access to the CGAS Committee Chair for the CAE, including the opportunity for a private meeting with the Committee.

#### 6.7 ***Auditees/ Managers***

Responsibility for GRC rests with managers, who should ensure that arrangements are appropriate and adequate. It is for management to accept and implement audit recommendations in order to improve the GRC environment. Auditees must ensure that they:

- Give internal auditors access to premises, personnel, documents and assets that the auditor requires for the purpose of their work.
- Provide auditors with any information and explanations that they seek in the course of their work.
- Respond promptly and formally to audit requests for information and reports.
- Notify Internal Audit of any potential areas that additional assurance could be obtained.

#### 6.8 ***External Audit***

Internal Audit will co-operate and liaise with the external auditors to ensure an efficient and effective internal audit service and ensure where possible duplication of work is avoided.

## 7. Due professional care

- 7.1 The CAE must hold a professional qualification and current membership and must be suitably experienced.
- 7.2 The CAE will assess on an annual basis the knowledge, skills and other competencies required within the internal audit section in order for it to fulfil its purpose and effectively carry out professional duties in accordance with statutory requirements. If any insufficiencies are identified these will be reported to Senior Management and the Board, if there is likely to be an impact on achieving either the AAP or a sufficient level of reviews to enable an effective AAO to be made.
- 7.3 All internal auditors will have sufficient knowledge through training and continued professional development to carry out their duties.
- 7.4 Any impairment either in fact or appearance on any individual auditor's independence or objectivity will be reported to the Section 151 Officer.

## **8. Authority**

- 8.1 All local authorities must make proper provision for Internal Audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires authorities to:  
*'(i) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance.'*

## **9. Access to records and personnel**

- 9.1 Internal auditors have right of access to all premises, personnel, documents and information they consider necessary for the purpose of their reviews and to obtain such information and explanations from any employees as necessary concerning any matter under review/ investigation.
- 9.2 Internal auditors also have the power to require any RBC employee, agent or Member to produce cash, equipment, computers or other RBC property under their control. Internal Audit can retain or seize these items in order to protect RBC's interest, or to preserve evidence, if a suspected irregularity has occurred before considering whether to refer the issue to the Police.
- 9.3 Records will be held and retained in line with the General Data Protection Regulations 2018 Act.

## **10. Reporting structure**

- 10.1 Annually the CAE will present for review and approval the AAP, including resource requirements and any perceived deficiencies to the Board following consultation with Senior Management.

- 10.2 Update reports on the progress towards the AAP will be presented regularly to Senior Management and the Board. This will include any significant risk exposure and control issues identified and any changes required to the audit plan.
- 10.3 A report will be prepared for every audit review carried out, which will include an opinion on the adequacy of GRC in the area that has been audited. The report will be distributed in line with the agreed reporting protocols. The draft report will be discussed with the auditees and a response obtained for each recommendation along with a timescale for implementation.
- 10.4 At an appropriate “close-out” meeting, Internal Audit and Service Management should agree the findings and recommendations in the draft report. Subsequently, they should provide adequate management responses to the recommendations and set appropriate target dates for their implementation.
- 10.5 Progress towards agreed actions will be reported to Senior Management and the Board. If appropriate action has not been taken within a reasonable timeframe for high-risk actions or limited/no assurance audits then this will be specifically highlighted for further action by Senior Management and the Board.

## **11. Public Sector Audit Standards (PSIAS)**

- 11.1 The PSIAS promotes an ethical and professional culture. The CAE will carry out an annual self-assessment of the Internal Audit’s performance against PSIAS. A breakdown of compliance and non-compliance will be communicated annually to the Board and Senior Management along with a Quality Assurance and Improvement Programme (QAIP).

## **12. Quality Assurance and Improvement Programme (QAIP)**

- 12.1 As a result of the CAE’s review of the PSIAS, a QAIP will be developed for the current year if full compliance has not been achieved. This will set out what work is required to become compliant and the action that will be taken in the current year by the audit service in order to work towards becoming fully compliant.

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**CORPORATE GOVERNANCE,  
AUDIT AND STANDARDS  
COMMITTEE****CHIEF EXECUTIVE AND  
EXECUTIVE DIRECTOR****28TH NOVEMBER, 2022****REPORT NO. DEM2201****PROTOCOL FOR THE SELECTION OF MAYOR AND DEPUTY MAYOR****1. INTRODUCTION**

- 1.1 The Corporate Governance, Audit and Standards Committee has requested that the criteria for the selection of Mayor and Deputy Mayor be reviewed to ensure that it continues to be effective in supporting the mayoral selection process. In the past few years, it has proved difficult to secure nominations for the role without breaking the criteria.
- 1.2 A Members' Survey on the topic of the Mayoralty was carried out in July-August 2022 to understand more about councillors' interest and considerations in taking the role.
- 1.3 In October, a group of Members appointed by this Committee met to consider the survey outcomes and discussed proposals for loosening the selection criteria to reflect the higher turnover of councillors and to ensure that those councillors who are interested to take the role have reasonable opportunity to be nominated without breaking the criteria. The Member Group was attended by Councillors P.J. Cullum, Christine Guinness, M.S. Choudhary and A. Gani.

**2. SURVEY RESULTS**

- 2.1 A summary of the Mayoral Survey results is attached at **Appendix 1**. The purpose of the survey was to find out more about individual councillors' personal interest in the mayoralty role, and barriers to accepting the position. The response rate was 25 Members, and overall, the outcomes suggest that approximately 50% of councillors may be interested in taking the role of Mayor at some point in the near future. From those responding to the survey who would be interested in the role (13 Members), only one councillor would be eligible to be Deputy Mayor in 2023 under the current criteria. This is due to forthcoming elections, recent past service as Mayor, or not yet having served a full term. The case for loosening the criteria was strong.

2.2 By a clear margin, the most likely reason that councillors would not wish to accept the role is the perceived time commitment to fulfil the mayoralty role in addition to employment, family, or other existing responsibilities.

### 3. **PROPOSED AMENDMENTS TO THE SELECTION CRITERIA**

3.1 A copy of the proposed amendments to the current criteria for the selection of the Mayor and Deputy Mayor is attached at **Appendix 2**. Revisions are shown as track changes.

3.2 The current arrangements use order of seniority determined by length of service to decide the selection, within eligibility, and the principle of this approach is proposed to be retained.

3.3 Under revised arrangements, it is proposed that each year the process will begin with the Chief Executive inviting all Members to advise if they are interested to take the role of Deputy Mayor progressing through to the position of Mayor. The seniority and eligibility criteria (as attached at Appendix 2) would then be applied to all Members who notified their interest. The Councillor who is highest up the seniority list from amongst the interested Members would then be considered for the appointment, subject to the eligibility requirements, and the Chief Executive shall follow up by contacting all Members in writing to ensure a broad base of support for the appointment.

3.4 The Member Group recommended the following amendments to the selection criteria to help increase access to the role, and the number of councillors who would be eligible (as shown in track changes):

- A Member may be selected as Deputy Mayor when they are seeking re-election at that year's Borough Election – contingent on a successful re-election (However, a Member will not normally be selected when they are seeking re-election which would fall between their year as Deputy Mayor and Mayor).
- Past Mayors will be reconsidered for the position of Mayor or Deputy Mayor eight years after the completion of the end of their Mayoral Year (rather than waiting 15 years as at present).
- A Member who has not been Mayor before shall be given priority in the selection process over a returning past Mayor.

3.5 The Group also recommended to preserve the criteria that Members should serve a full 4 year term before being eligible for selection.

### 4. **CONCLUSION**

4.1 The changes proposed by the Member Group help to increase the number of councillors who are eligible to take the role of Mayor, while retaining the current principle of applying seniority linked to length of service.

4.2 The Committee is invited to consider the amendments in advance of making a recommendation to the Council.

5. **RECOMMENDATION TO THE COUNCIL**

5.1 Subject to any changes proposed by the Committee, it is recommended to the Council that the amendments to the criteria for the selection of the Mayor and Deputy Mayor as set out in Appendix 2 to the Report are approved for adoption in the Council's Constitution.

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

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## Members Survey Results – Mayoralty

The survey was carried out end of July/August 2022 and 25 Members responded.

### Key Findings:

#### 1. Interest in the role of Mayor

13 councillors who responded indicated that they would be interested in taking the role of Mayor, and 12 would not.

Of the 13 who responded that they would be interested; 4 are current/former mayors who would not currently be eligible to take the role, and 4 are new councillors who are two to three years away from serving a full term.

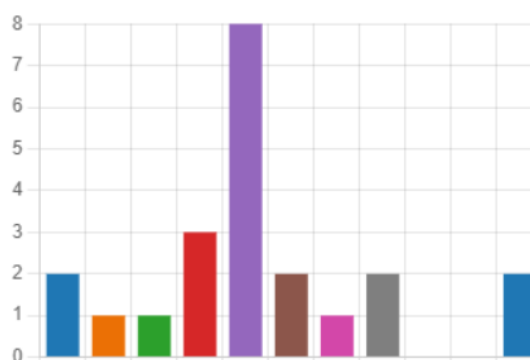
#### 2. Reasons not to take the role

By a clear margin, the most likely reason that councillors would not wish to accept the role of Mayor is the time commitment to fulfil the role - that it is too difficult to manage in addition to existing work, employment, family or other commitments.

#### 4. Please tick any of the following reasons why **you** would not wish to accept the Mayoral role (please tick any that apply)

[More Details](#)

<span style="color: blue;">●</span> The need to be politically neutral	2
<span style="color: orange;">●</span> Loss of a Special Responsibility ...	1
<span style="color: green;">●</span> Loss of another Special Respons...	1
<span style="color: red;">●</span> The number of mayoral engage...	3
<span style="color: purple;">●</span> Time commitment to fulfil the r...	8
<span style="color: brown;">●</span> Skills required for the role e.g. t...	2
<span style="color: pink;">●</span> Formality of the role	1
<span style="color: grey;">●</span> Expectations for fundraising acti...	2
<span style="color: olive;">●</span> Health/personal reasons	0
<span style="color: cyan;">●</span> Not sure what the role involves	0
<span style="color: blue;">●</span> Other	2



The reasons for not taking the role, in order of likeliness are:

- 1 Time commitment to fulfil the role in addition to existing commitments (8 respondents)
- 2 The number of mayoral engagements (3 respondents)
- 3= Need to be politically neutral (2 respondents)
- 3= Skills required for the role (2 respondents)
- 3= Expectations for fundraising activities (2 respondents)
- 6= Loss of a special responsibility allowance (1)
- 6= Loss of another special responsibility role at the Council (1)
- 6= Formality of the role (1)

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## 5. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Council has established criteria for selecting the Mayor and Deputy Mayor. The Corporate Governance, Audit and Standards Committee keeps the criteria under regular review. The arrangements are as follows:

Each year, the Chief Executive will invite all Members to advise if they are interested to take the role of Deputy Mayor beginning the next municipal year, progressing through to the position of Mayor the following year. The Chief Executive shall also check that the Deputy Mayor wishes to progress through to Mayor. This will usually be in early December and with a deadline for Members to advise their interest by early January.

The following criteria will then be applied to determine the position from the interested Members:

- 1) The position of the Mayor and Deputy Mayor of the Borough will be determined by ~~taken in~~ order of seniority from amongst all interested ~~the elected~~ Members of the Council as notified to the Chief Executive and will be calculated in accordance with the procedure adopted by the Council on 20th May 1976 as follows:
 

“The order of seniority of Members of the Council shall be determined by the length of previous local government service with the Council, including past service with the former Aldershot Borough Council and Farnborough Urban District Council. In the case where two or more Members have the same length of service, then priority between such Members shall be determined by the number of votes received by each Member expressed as a percentage of the total number of ballot papers issued at the most recent election held in their respective Wards.”
- 2) The normal progression through the Mayoralty will be by the holding of the position of Deputy Mayor and then progressing to the position of Mayor the following year.
- 3) ~~Should an elected Member be in the position of not being able or wanting to accept the nomination when they reach their position within the seniority list, they will be considered in the following Municipal Year, depending on his or her wishes.~~
- 4) A Member will not normally be eligible for selection until that Member has served a full four-year term (previously para no. 6)
- 5) Where a Member ~~who~~ has not been Mayor before, that Member ~~has the same number of eligible years' service as a Member who has already been Mayor, the Member who has not been Mayor~~ shall be given priority in the selection process. (previously para no. 8)
- 6) Past Mayors will not normally be considered for the position of Mayor or Deputy Mayor until fifteen ~~eight~~ years after the completion of the end of their Mayoral Year; ~~at that time their position on the seniority list will be calculated on the basis of total length of service less fifteen years.~~ (previously para no. 5)

- 7) A Member may be selected as Deputy Mayor when they are seeking re-election at that year's Borough Council Election. The position would be contingent on a successful re-election. However, a Member will not normally be selected when they are seeking re-election which would fall between their year as Deputy Mayor and Mayor. for Mayor or Deputy Mayor if they are seeking re-election at that year's Borough Council Elections.)
- 8) The Offices of Mayor and Deputy Mayor must at all times be apolitical, and ~~The Offices~~ should not be used for political advantage. (previously para no. 4)
- 9) A Member should recognise the time required in carrying out the duties and responsibilities of the Mayor and be able to allocate that time during his or her year of office.
- 10) Those considered for appointment:
  - must demonstrate a broad base of support amongst Members of the Council and all Members will be contacted in writing by the Chief Executive for their views on the proposed candidates ~~after they have been identified from the seniority list.~~
  - should be able to demonstrate some experience of chairing meetings
- 11) The Mayor-Elect and Deputy Mayor-Elect will be selected at the Corporate Governance, Audit and Standards Committee on the basis of the selections being submitted to Council by the end of March.
- 12) The Mayor must sign their acceptance of the Mayoral Protocol before beginning their term of office