



## RUSHMOOR BOROUGH COUNCIL

# LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on  
Monday, 29th June, 2015 at 7.00 pm*

**To:**

**Voting Members:**

Cllr A.M. Ferrier (Chairman)  
Cllr S.J. Masterson (Vice-Chairman)

Cllr R. Cooper  
Cllr Liz Corps  
Cllr A.H. Crawford

Cllr Barbara Hurst  
Cllr B. Jones  
Cllr A.R. Newell

Cllr M.D. Smith  
Cllr L.A. Taylor  
Cllr Jacqui Vosper

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Kathy Flatt, Democratic and Customer Services, 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 - 6)**

To confirm the Minutes of the Meeting held on 28th May, 2015 (copy attached).

2. **STATEMENT OF ACCOUNTS 2014/15 – DUTIES AND RESPONSIBILITIES – (Pages 7 - 10)**

To consider the Head of Financial Services' Report No. FIN1514 (copy attached) which sets out for discussion the duties and responsibilities of the Committee in respect of the Statement of Accounts. The discussion will include a short review of the Council's unaudited Statement of Accounts (to follow) to allow sufficient time for their due consideration ahead of the approval meeting in September.

## **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 three working days prior to the meeting.

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# LICENSING AND GENERAL PURPOSES COMMITTEE

Meeting held on Thursday, 28 May 2015 at the Council Offices, Farnborough at 7.00 pm.

## Voting Members

Cllr A.M. Ferrier (Chairman)  
Cllr S.J. Masterson (Vice-Chairman)

Cllr R. Cooper  
Cllr Liz Corps  
a Cllr A.H. Crawford

Cllr Barbara Hurst  
Cllr B. Jones  
Cllr A.R. Newell

Cllr M.D. Smith  
Cllr L.A. Taylor  
Cllr Jacqui Vosper

An apology for absence was received on behalf of Cllr A.H. Crawford.

## 1. MINUTES

The Minutes of the Meeting held on 30th March, 2015 were approved and signed by the Chairman.

## 2. 2015/16 ANNUAL AUDIT FEE LETTER

The Committee welcomed to the meeting Mr. Alan Gregory from Ernst & Young who was attending the meeting to present the Company's annual audit fee letter, which confirmed the audit and certification work proposed for the 2015/16 financial year and the indicative fee for that work.

Mr. Gregory explained that the indicative audit fee was £49,838 plus £8,652 for the certification of the housing benefit subsidy claim and reflected the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of public bodies, applying from 2015/16 audits. The audit fee covered: the audit of the financial statements; the value for money conclusion; and, the whole of government accounts. It was noted that the fee was based on a risk-based approach and had been set by the Audit Commission in 2012 and had been reduced by 25% following the further tendering of contracts in March, 2014. The letter set out the assumptions on which the 2015/16 fee would be based and the fee would be reviewed and updated as necessary within the parameters of the contract.

Mr. Gregory advised Members that the audit plan would be issued in March, 2016 and would communicate any significant financial statement risks identified, planned audit procedures to respond to any risks and any changes in the fee. It would also set out the significant risks identified in relation to the value for money conclusion.

**RESOLVED:** That the 2015/16 annual audit fee letter from Ernst & Young be noted.

### **3. TREASURY MANAGEMENT OPERATIONS IN 2014/15**

The Committee received the Head of Financial Services' Report No. FIN1510 which set out the main treasury management activities during 2014/15 and provided an update on the current economic conditions affecting treasury management decisions. The Report also set out the actual prudential indicators relating to capital financing and compared these to the indicators that had been set in the Annual Treasury Management Strategy for the year and approved by the Council in February, 2014.

Members were advised that 2014/15 had proved to be another challenging year for treasury management. The Council's treasury team had concentrated on the security of investment while still having regard to the returns available. Revision of the Treasury Management Strategy had enabled the Council to further diversify its investment portfolio and benefit from alternative investments during 2014/15. It was noted that, despite low interest rates and the lack of suitable counterparties with whom to invest, investment income had outperformed the original budget by around £300,000 and had contributed £699,000 to the Council's General Fund during 2014/15. Members were also advised that all treasury management activities during 2014/15 had been carried out in accordance with the Annual Treasury Management Strategy and had complied with the agreed treasury and prudential indicators and with the Treasury Management Code of Practice.

### **4. FINANCIAL STATEMENTS 2014/15 – CHANGES IN ACCOUNTING ESTIMATES AND THE APPLICATION OF NEW ACCOUNTING POLICIES**

The Committee considered the Head of Financial Services' Report No. FIN1512, which sought approval for changes in the estimation methods and the application of amended accounting policies to be used in the preparation of the Council's Financial Statements for 2014/15.

The Council's auditors (Ernst & Young) had identified as good practice the consideration of the assumptions made and methods used in the preparation of the Council's financial statements. The Council's accounts for 2014/15 contained estimated figures that were based on assumptions made by the Council about the future or that were otherwise uncertain. The determination of an accounting estimate could be simple or complex depending on the nature of the item. In more complex estimates there might be a high degree of specialist knowledge and judgement required. These estimates were made taking into account historical experience, current trends and other relevant factors. However, because balances could not be determined with certainty and actual results could be materially different from the assumptions made. The Council was required to disclose areas of estimation uncertainty where there was a significant risk of a material adjustment within the following financial year and these areas were identified in the Report, which also showed the effects if actual results differed from the assumptions made.

The Committee was advised that the area in the Council's Balance Sheet at 31st March, 2015 where there was major uncertainty and where changes to existing estimation methods were required, was in relation to the cost of retirement benefits. As part of the terms and conditions of employment of officers, the Council made contributions towards the cost of post-employment benefits. Whilst the benefits (pensions) were not actually payable until employees retired, the Council had a

commitment to make the payments. This figure was disclosed at the time that employees earned their future entitlement.

The Council's future pension liability had been assessed by an independent firm of actuaries (Aon Hewitt Ltd) using various financial assumptions (rate of inflation, salary increases, duration of liabilities) and mortality assumptions (longevity of current and future pensioners). The Report set out the principal assumptions used by the actuary for 2015 in calculating the Council's future pension liability and the implications of the changes in assumptions. The calculation of pension liabilities involved projecting future cash flows from the fund for many years into the future. This meant that the assumptions used could have a material impact upon the balance sheet position. The impact of changes on the net pensions was also set out in the Report. It was recognised that the Council minimised this risk by taking into account historical experience, current trends and other relevant factors in arriving at estimates which it believed reflected the most likely and accurate position.

In respect of the application of new accounting policies, the Committee was advised that there were no other amendments recommended to any of the accounting policies, which had previously been approved by the Committee.

**RESOLVED:** That

- (i) the Head of Financial Services' Report No. FIN1512 be noted; and
- (ii) the change in estimation methods outlined in the Report be approved.

## **5. FINANCIAL STATEMENTS – DECLUTTERING OF THE ACCOUNTS**

The Committee considered the Head of Financial Services' Report No. FIN1513 which sought approval for the approach to be taken in respect of the rationalisation of the number of disclosures in the Council's financial statements for 2014/15 onwards.

It was noted that the majority of the existing disclosures were requirements that had been laid down in the Accounting Code of Practice, although, there was scope under the new 'de-cluttering' agenda to rationalise what information was included in the statements. The Committee was advised that representatives of Financial Services had met with Ernst & Young to consider options available for de-cluttering the accounts. These were: the presentation of accounting policies; removal of duplication; materiality; reducing the length of disclosures; and, ensuring consistency. It was felt that, to ensure consistency, the Council should retain the accounting policies in one section rather than present policies with relevant notes. However, disclosure notes would be reviewed for duplication and text would be removed where it was repeated. It was suggested that it would be appropriate to establish a de-minimus level, below which amounts might not require disclosure. It was recommended that a level of 1% (£611,200 based on the balance sheet as at 31st March 2014) would be appropriate. It was further suggested that the length of some of the disclosures could be reduced by grouping similar items together. A simple flowchart approach would be adopted to ensure consistency in determining which notes should be disclosed.

The Committee discussed the recommendations in the Report and approved the suggestions made. The Committee expressed thanks to the Financial Services team for excellent service.

**RESOLVED:** That the proposed methodology for reviewing the content of the Council's Statement of Accounts, as set out in the Head of Financial Services' Report No. FIN1513, be approved.

## 6. APPOINTMENTS

### (1) Outside Bodies –

**RESOLVED:** That the appointment of representatives to outside bodies for the 2015/16 Municipal Year, as set out in Appendix 1 (attached herewith), be approved.

### (2) Appointments and Appeals Panel –

**RESOLVED:** That the following Members be appointed to serve on the Appointments and Appeals Panel for the 2015/16 Municipal Year (1 Conservative: 1 Labour: 1 UKIP and a representative of the Cabinet):

Conservative Group –

Cr. A.M. Ferrier with Cr. S.J. Masterson as Standing Deputy.

Labour Group –

Cr. P.F. Rust with Cr. B. Jones as Standing Deputy.

UKIP Group –

Cr. D.M.T. Bell

Cabinet Member for

Corporate Services –

Cr. P.G. Taylor

### (3) Elections Group –

**RESOLVED:** That the following Members be appointed to serve on the Elections Group for the 2015/16 Municipal Year:

Cabinet Member for Concessions and Community Support –

Cr. A. Jackman

Chairman of the Licensing and General Purposes Committee –

Cr. A.M. Ferrier

Chairman of the Borough Services Policy and Review Panel –

Cr. Barbara Hurst

Conservative Group –

Cr. S.J. Masterson

Labour Group -

Crs. K. Dibble and B. Jones

UKIP Group -

Cr. D.M.T. Bell

(4) **Licensing Sub-Committee –**

**RESOLVED:** That the following Members be appointed to serve on the Licensing Sub-Committee for the 2015/16 Municipal Year (3 Conservative: 2 Labour):

|                      |   |
|----------------------|---|
| Conservative Group - | Crs. A.M. Ferrier, M.D. Smith and Jacqui Vosper |
| Labour Group -       | Crs. B. Jones and L.A. Taylor                   |

(5) **Licensing Sub-Committee (Alcohol and Entertainments) –**

**RESOLVED:** That:

- (i) the Licensing Sub-Committee (Alcohol and Entertainments) be re-established until the first meeting of the Licensing and General Purposes Committee of the 2016/17 Municipal Year, comprising any three trained members of the Licensing and General Purposes Committee; and
- (ii) the Head of Democratic Services be authorised to make appointments to the Licensing Sub-Committee (Alcohol and Entertainments) in accordance with the provisions agreed by the Committee at its meeting on 21st May, 2009.

(6) **Local Plan Members Group –**

During a discussion on the Group, it was agreed that the membership should be increased to include an additional representative of the Labour Group.

**RESOLVED:** That the following Members be appointed to serve on the Local Plan Members Group for the Municipal Year 2015/16 on the basis of eight Members (5 Conservative: 2 Labour: 1 UKIP):

|   |  |
|---|--|
| Leader of the Council -                               | Cr. P.J. Moyle   |
| Cabinet Member for Environment and Service Delivery - | Cr. R.L.G. Dibbs   |
| Chairman of the Development Management Committee -    | Cr. G.B. Lyon  |
| Conservative Group -                                  | Crs. D.E. Clifford and Barbara Hurst   |
| Labour Group -  | Cr. M.J. Roberts<br>One vacancy (to be appointed by the Head of Democratic and Customer Services once nominated) |
| UKIP Group -  | Cr. D.M.T. Bell  |

The meeting closed at 7.45 pm.

CLLR A.M. FERRIER (CHAIRMAN)

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**LICENSING & GENERAL PURPOSES  
COMMITTEE  
29 JUNE 2015**

**HEAD OF FINANCIAL SERVICES  
REPORT NO. FIN1514**

**STATEMENT OF ACCOUNTS 2014/15 –  
DUTIES AND RESPONSIBILITIES**

**1 INTRODUCTION**

- 1.1 The Statement of Accounts for 2014/15 has been prepared in line with CIPFA's 'Code of Practice on Local Authority Accounting' for 2014/15, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2011.
- 1.2 These regulations require that a committee of the Council consider and approve the Statement after completion of the audit of the accounts and presentation of the auditor's Audit Results Report. This is due to take place at the September meeting of the Committee, following which, the audited Statement of Accounts will be published.
- 1.3 From the 3<sup>rd</sup> July, we will be within the period where the Statement is available for public inspection and from 31<sup>st</sup> July, anyone registered to vote in the Borough will be able to question the auditor or raise an objection to the accounts.
- 1.4 CIPFA recommended practice is to issue the Statements to 'those charged with governance' in advance of the approval meeting in order to allow sufficient time for due consideration of the information. This also affords an opportunity to remind the Committee of their duties and responsibilities in respect of the Statement.

**2 STATEMENT OF ACCOUNTS 2014/15**

- 2.1 The Statement of Accounts is an annual publication of the financial position of the Council, containing a record of the assets and liabilities of the Council and the cost of the services the Council provides.
- 2.2 It consists of:
  - An introduction and summary of significant financial issues during the year (Explanatory Foreword)
  - Statement of Responsibilities
  - 4 key financial statements – Movement in Reserves, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow.
  - Notes to the core financial statements – including accounting policies
  - Collection Fund and accompanying notes (Council Tax and Business Rates)
  - Auditors' Results Report
- 2.3 Members are invited to discuss the Statement of Accounts and their approach to considering it for approval in September.

### 3 ROLES AND RESPONSIBILITIES

3.1 The committee's role is to provide effective scrutiny of the Council's financial statements. This forms part of a system of financial responsibility as illustrated below:

| <b>Body</b>                              | <b>Role</b>   | <b>Example</b>  |
|--|---|---|
| Council                                  | Major policy and strategy decisions   | <ul style="list-style-type: none"> <li>- Approval of the annual budget and financial strategy</li> </ul>  |
| Cabinet                                  | Monitors the financial position – takes decisions within the over-arching policies and strategies approved at Council | <ul style="list-style-type: none"> <li>- Monitoring of spend against budgets</li> </ul>   |
| Licensing and General Purposes Committee | 'Those charged with governance' – scrutiny and challenge  | <ul style="list-style-type: none"> <li>- Consider accounting policies and estimation bases</li> <li>- Hearing the external auditors report</li> <li>- Consider, approve and sign the statements</li> <li>- Sign the letter of representation</li> </ul>   |
| Standards and Audit Committee            | Consideration of risk and governance  | <ul style="list-style-type: none"> <li>- Internal audit reporting</li> <li>- Risk and fraud</li> <li>- Corporate Annual Governance Statement</li> </ul>   |
| Chief Financial Officer                  | Personal and Statutory responsibility   | <ul style="list-style-type: none"> <li>- True and fair view</li> <li>- Provision of training</li> <li>- Preparation of statements and accompanying working papers</li> <li>- Involving Members in decision-making</li> <li>- Robust internal audit function</li> <li>- Adequate financial systems</li> </ul>  |
| Experts                                  | Technical disciplines   | <ul style="list-style-type: none"> <li>- Use of actuaries, valuers, consultants</li> </ul>  |
| External audit                           | Provision of external scrutiny and challenge<br>External assurance  | <ul style="list-style-type: none"> <li>- Compliance with statutory requirements</li> <li>- Satisfied that proper practices have been observed in compiling the accounts</li> <li>- Express an opinion on the statements</li> <li>- Obtaining evidence on the amounts and disclosures</li> <li>- Policies are appropriate and consistently applied</li> <li>- Estimates are reasonable</li> <li>- Statements are consistent with the explanatory foreword</li> </ul> |

## 4 FACTORS TO CONSIDER

### 4.1 Members should have regard to the following when considering the accounts:

**Materiality** – do the accounts contain all material transactions? What level of materiality has been considered? What do Members consider significant, in disclosing information to the reader of the accounts?

**Transparency** – are transactions transparent? For example, are income and expenditure figures shown separately and not netted off, potentially distorting understanding of the financial transactions? Is the true nature of a transaction disclosed?

**Valuation** – how can Members satisfy themselves that the assets and liabilities within the accounts are accurate? What methodology has been used, what accounting policies are applicable? What reliance has been placed on experts and how reasonable is that reliance?

**Consistency** – is reporting consistent throughout the accounts? Is it consistent with the explanatory foreword? Is it consistent with Member's knowledge of the organisation?

**Completeness** – how can Members be assured that the statements are complete?

**Legality/Litigation** – are all transactions legal and have all potential litigation that the Council is party to, been disclosed?

**Classification** – have assets been classified correctly?

**Economic climate/Going concern principle** – is the current economic climate reflected in the statements and does the Council remain a going concern – i.e. are Members aware of such significant curtailment in the Council's activities or such significant worsening of the financial position that the Council may not be able to continue to carry out its function?

**Risk of error** – How can Members satisfy themselves that the Statements are free from misrepresentation or misreporting?

**Fraud** – are Members aware of incidences of fraud? What is the risk of fraud within the Statements?

**Rights and Obligations** – have all rights and obligations been disclosed correctly? Are disclosures accurate? Have all transactions actually occurred? For example, does the Council legally own the assets disclosed?

### 4.2 Once these factors have been considered, Members should be satisfied that the accounts represent a true and fair view of the Council's financial position.

## **5 OTHER SOURCES OF INFORMATION AND ASSURANCE**

5.1 Members should consider what sources of information they can use to help them to approve the accounts and from whom they might seek assurance. A variety of sources should supply a clear and consistent message about the financial performance of the organisation. These sources might include:

- Internal audit
- The work of Standards and Audit Committee in considering fraud, risk and internal audit reporting
- Statements of senior officers – Chief Executive, Directors, Chief Financial Officer, Monitoring Officer
- External audit opinion
- Other inspections – HMRC – VAT, PAYE
- Financial and Performance reports
- Members own knowledge of the affairs of the Council
- The context i.e. economic climate, interest rates, property prices, inflation
- Expert knowledge e.g. actuarial reports

## **6 CONCLUSIONS**

6.1 In conclusion, Members of the Committee are not required to have a detailed knowledge of every transaction within the accounts, or any detailed, technical accounting knowledge. Members should however, consider the consistency of the information being presented and ask questions to gain assurance.

6.2 In particular, regular attendance at the Committee by the external auditor, affords Members the opportunity to question the processes, tools and techniques used as part of the audit, in order to gain assurance over the public reporting of the Council's finances.

**AMANDA FAHEY  
HEAD OF FINANCIAL SERVICES**