

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on
Monday, 26th June, 2017 at 7.00 pm*

To:

Cllr A. Jackman (Chairman)
Cllr J.E. Woolley (Vice-Chairman)

Cllr Sue Carter
Cllr Sophia Choudhary
Cllr Liz Corps
Cllr Jennifer Evans
Cllr B. Jones
Cllr S.J. Masterson
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.

A G E N D A

1. MINUTES –

To confirm the Minutes of the Meeting held on 25th May, 2017 (copy attached).

2. INTERNAL AUDIT - UPDATE – (Pages 1 - 12)

To consider the Audit Manager's Report No. AUD1704 (copy attached), which describes the work carried out by Internal Audit for quarter 1 of 2017/18 and the proposed work for quarters 2 and 3.

3. STATEMENT OF ACCOUNTS 2016/17 - DUTIES AND RESPONSIBILITIES – (Pages 13 - 102)

To consider the Head of Financial Services' Report No. FIN1723 (copy attached), which sets out the Council's draft Statement of Accounts for 2016/17 and the Committee's duties and responsibilities in respect of the Statement.

4. TREASURY MANAGEMENT OPERATIONS FOR 2016/17 AND REVISIONS TO THE 2017/18 INDICATORS – (Pages 103 - 140)

To consider the Head of Financial Services' Report No. FIN1724 (copy attached), which provides details of the main treasury management operations for 2016/17 and sets out revised prudential indicators for capital financing for 2017/18.

5. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING – (Pages 141 - 152)

To receive a copy of Local Government Audit Committee briefing prepared by Ernst & Young (copy attached).

6. CONSULTATION ON PROPOSED VARIATION TO THE SCHEME OF HACKNEY CARRIAGES FARES – (Pages 153 - 172)

To consider the Head of Environmental Health and Housing's Report No. EHH1723 (copy attached), which outlines proposals to vary the current scheme of hackney carriage fares which have been published for public consultation following approval by the Cabinet.

7. CODE OF CORPORATE GOVERNANCE – (Pages 173 - 196)

To consider the Solicitor to the Council's Report No. LEG1709 (copy attached), which seeks approval for an updated 2017 Local Code of Corporate Governance for recommendation to the Council for adoption.

8. ANNUAL GOVERNANCE STATEMENT 2016 - 2017 – (Pages 197 - 214)

To consider the Solicitor to the Council's Report No. LEG1710 (copy attached), which seeks comment on the draft Annual Governance Statement for 2016/17.

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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AGENDA ITEM NO. 2

LICENSING AND GENERAL PURPOSES COMMITTEE
26TH JUNE 2017

AUDIT MANAGER
REPORT NO. AUD1704

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 1 and the proposed work to be delivered for quarter 2 and 3.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 1
- ii. Note the update to the expected deliverables for quarter 1 and 2
- iii. Endorse the expected deliverables for quarter 3

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit for quarter 1
- An update of the progress made and any changes required for the expected deliverables for quarter 1 and 2, as approved by the Committee on the 27th March 2017
- A schedule of work expected to be delivered in quarter 3.

2 Resources

2.1 The resources within the internal audit team are still being finalised following the Audit Manager leaving under MARS. Contractors have been commissioned to carry out some audits within quarter 2, 3 and 4 to assist the internal audit team to ensure that appropriate audit coverage for 2017/18 is provided.

3 Audit work - Q1 17/18

3.1 The following audit work has been carried out within quarter 1:

Work	Status
Parking Machine Income	This audit was brought forward from the 16/17 audit plan and finalised in Q1. A reasonable assurance opinion has been given to this area. Findings are detailed within appendix A.

External tenants follow up	A follow up was carried out on the recommendations made for the external tenants audit carried out in 2016/17. The findings from the follow up has changed the assurance opinion within this area from limited assurance to reasonable assurance . 2 recommendations have not yet been implemented. Findings are detailed within appendix A.
Capital programme – Activation Aldershot	This audit was brought forward from the 16/17 audit plan and is on track to be finalised within quarter 1. Details of findings will be reported to the committee at the meeting in September.
Heating payments	This audit was brought forward from the 16/17 audit plan and is on track to be finalised within quarter 1. Details of findings will be reported to the committee at the meeting in September.

3.2 Other deliverables within quarter 1 included:

- The audit opinion – reported to the Committee on the 25th May 2017
- The Public Sector Internal Audit Standards – reported to the Committee on the 25th May 2017

4 Update to audit work for Q1 & Q2

4.1 At the meeting on the 27th March 2017, it was agreed that if any changes were required to the agreed deliverables for the quarter, in order to meet changing needs of the organisations, then this would be communicated to the committee along with the reason for the change.

4.2 As at the time of this report, no changes are required to the audits expected to be delivered by quarter 2. The table below details the current status against the audits previously agreed to be delivered.

Audits/follow ups	Status
External tenants follow up	Completed Q1
Capital projects follow up	To be carried out in Q2
Aldershot/Farnborough markets follow up	To be carried out in Q2
Purchase and sale of property and land	To be carried out in Q2
Capital programme and accounting – Activation Aldershot	To be finalised within Q1
Contract letting and tendering	To be carried out in Q2 by the contract auditor
Transparency code	To be carried out in Q2 by the contract auditor
Cyber security	To be carried out in Q2 by the contract auditor

5 Expected deliverables for Q3

- 5.1 The work expected to be delivered in quarter 3 is detailed within the table below. The audits have been selected from the high risk areas detailed in Appendix B. As with the previous quarters, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the September meeting.

Service	Audit/ follow up
DMB	HMRC requirements/ taxation requirements
Finance	Financial borrowing
Planning	Planning applications
Community	Parking Machine Income follow up
Finance	FMS and Bank Reconciliation*
Finance	Purchase Ledger*

*These audits may change to NNDR Billing and Collection or Payroll depending on which order the contractor completes the standard financial audits.

AUTHOR: Nikki Hughes, Acting Audit Manager
01252 398810
nikki.hughes@rushmoor.gov.uk

HEAD OF SERVICE: Amanda Fahey

References: *Internal Audit – Audit Plan* report, presented to the Committee on the 27th March 2017

<http://www.rushmoor.gov.uk/CHttpHandler.ashx?id=17541&p=0>

Appendix A

Audit Title	Parking Machine Income	
Year of Audit	2016/17	
Assurance given	Reasonable - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>	
Overview of area	<p>The Parking Machine Income was last audited in 2007/08. Since it was last audited there has been staff changes within the parking team.</p> <p>The Parking Machines are due to be updated in April 2017 as the current machines are 15 years old. The new machines will offer customers different methods to pay for parking tickets.</p> <p>The Parking Machine income for 16/17 as at the end of February 2017 was £341k for on street parking and £973k for off street parking.</p>	
Priority	Key findings	Way forward agreed
Medium	There are discrepancies between the amount of income counted by Contract Security and the amount recorded by the parking machines. However, this is due to machines faults, as they are 15 years old. However, all discrepancies are investigated by the Senior Electrical Engineer.	Due to the age of the current parking machines, the introduction of the new machines should reduce the discrepancies between the amount collected and the amount recorded by the parking machine. The Parking Manager will review these discrepancies to ensure that they are reduced.
Medium	The machine income is securely collected and appropriately banked. However, details for discrepancies between the amount contract security state they have collected and the amount the bank say it has received is not available, making monthly reconciliation difficult. Although it should be noted that the discrepancies are minor (max under by £2 within my sample).	The Parking Manager will look to obtain details of discrepancies between the amount counted by contract security and the amount counted by the bank, so that clearer reconciliations can be carried out.
Medium	A shared agreement is in place with the Leisure Centre for them to invoice the Council with the amount that they have refunded their customers for parking tickets. The Leisure Centre has over charged	The Leisure Centre parking refund reconciliation is a complex and timely manual process and a full monthly reconciliation is limited to the resourcing available and other work priorities. It was therefore agreed that a

	the Council by £355 for December 2016 (only 1 month was reviewed). This is due to full refunds being given when a part refund was actually applicable for the time in which the ticket had been purchased. Ad hoc reconciliations were not correctly carried out by the Parking team. Therefore, this was not identified.	random full monthly reconciliation will be carried out by the Parking team on a quarterly basis and any errors will be highlighted. Furthermore, the Parking Manager will notify the Leisure Centre of any discrepancies.
Medium	Documentation is available to show the agreement in place with the Leisure centre. The agreement does not state that a full refund will be given after a certain time and the parking charges have not been updated to reflect the current charges in force. However, based on the off street parking order it is understood that the Leisure centre gives its users a 40% refund for parking tickets purchased between 8am-6pm and a full refund outside of these hours.	The documented agreement with the Leisure Centre requires updating to correctly reflect what parking refunds are applicable. However, due to the complexity of the parking ticket refund process, for both Rushmoor and the Leisure Centre, consideration should be given by the Head of Community and Environment to offering the Leisure centre a fixed annual amount for the refunds.
Medium	Testing identified that the correct split of income had been applied however, the split of expenditure was incorrectly applied as per the agreement this should have been 24:58 rather than 14:58, which is currently being applied.	The Parking Manager will review the GP surgery agreement and ensure that the correct expenditure ratio is used.
Low	Handwritten procedure notes are available and cover the key areas for parking machine income. However, they would benefit from being electronic, version controlled and review dates recorded to demonstrate that they are up to date.	Electronic procedure notes will be developed by September 2017 by the Parking Manager, once the new parking machines and process are in place.

Priority key	
High priority	A fundamental weakness in the system/area that puts the Authority at risk. To be addressed as a matter of urgency.
Medium priority	A moderate weakness within the system/area that leaves the system/area open to risk.
Low priority	A minor weakness in the system/area or a desirable improvement to the system/area.

Audit Title	External Tenants follow up		
Year of Audit	2017/18		
Assurance given at time of the audit	Limited – <i>Minimal controls designed to achieve the system/ function/ process objectives, are in place. Significant improvements are required if key controls are to be established.</i>		
Assurance given at time of the follow up	Reasonable - <i>Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>		
Overview of area	A review of external tenants was carried out in 2016/17, prior to the responsibility being handed over to the Head of IT and Facilities. The review made 11 recommendations, 3 High, 5 Medium and 3 Low. A follow up was carried out to identify the current status of the recommendations agreed.		
Priority	Way forward agreed	Follow up findings	Recommendation status
High	Agreements for FAC and CRC should be finalised	The agreements for FAC and CRC are still being finalised. However, payments are being received from the external tenants.	Not implemented
Medium	A list of current charges agreed for the external tenants should be detailed for a handover to the Head of IT and Facilities.	A list of current charges agreed for the external tenants was not provided to the Head of IT and Facilities prior to the handover. However, the Head of IT and Facilities has established and agreed a new list of charges for the external tenants.	Not implemented/ cancelled as no longer relevant
Medium	One person should be given responsibility for co-ordinating the reviews for the charges and carrying out the negotiation process.	The Head of IT and Facilities is now responsible for co-ordinating the reviews for the charges and carrying out the negotiations.	Implemented
High	Any changes to charges should be clearly documented showing agreement from the external tenant and communicated to Legal Services.	Legal services are involved with the negotiation and changes to the chargers for external tenants. Changes have been clearly documented within the new Hampshire County Council agreement.	Implemented

High	A detailed spreadsheet of payments due for standard regular payments and variable costs should be maintained. Along with any supporting calculations.	A detailed spreadsheet of payments due for standard and variable costs is not maintained. However, this is no longer necessary as the invoices raised are detailed enough to show the date period for the costs and appropriate documentation is held to support the calculations.	Implemented
Medium	The spreadsheet should detail when invoices have been raised/ paid for.	Where possible the invoices have been set up on a periodical invoice, so that they are automatically raised and payment has been received for these. However, for the additional services the invoices have been raised but no payment received at the time of this follow up for 16/17.	Not Implemented
Medium	Details of who collates the information for the variable charges should be held within the spreadsheet along with supporting documentation.	The Systems Administrator is responsible for collating the information for the variable charges. All supporting documentation is held to support calculations.	Implemented
Low	The invoicing periods should be made clear. (financial year or service charge year)	Financial years are used for the invoicing periods for the additional services.	Implemented
Low	A handover date for the responsibility of the external tenants should be agreed.	A handover date for the responsibility of external tenants was not formally agreed. However, it has now been transferred over to the Head of IT and Facilities.	Not implemented/ cancelled as no longer relevant

Medium	Delegation of powers should be agreed as to who can agree the rental levels, service charge level and other variable costs. Ensuring market value as well as a corporate view is taken into account.	The Head of IT and Facilities agrees the rental levels, service charge and other variable costs with the support from the Surveyor to ensure that market values are taken into account.	Implemented
Low	A Project Manager should be in place as the project proceeds.	The Head of IT and Facilities is the Project Manager for this.	Implemented

RISK UNIVERSE SCORING - JANUARY 2017

	Department	AUDIT AREA	Total risk score	Financial year last audited	Notes
1	Legal	Purchase and Sale of property and land	31	Not audited	Include in 2017/18 plan.
2	Finance	Capital programme and accounting	29	2016/17	Depot was highlighted as a potential capital project to look at - Include in 2017/18 plan. NB: Capital programme is reviewed annually due to high financial spend. Different projects are selected annually.
3	Legal	Contract letting and tendering (Procurement)	28	2012/13	Include in 2017/18 plan.
4	Legal	Transparency code	26	2014/15	Include in 2017/18 plan.
5	IT & Facilities	Cyber security	26	Not audited	Include in 2017/18 plan.
6	DMB	HMRC requirements	25	2015/16	Include in 2017/18 plan. More of a small review following on from the follow up carried out in 16/17.
7	DMB	Taxation and returns	24	2015/16	Carry out in conjunction with item 6 above - Include in 2017/18 plan.

8	Key Financial System - Finance	Benefits overpayments	24	2016/17	This was reviewed in 2017/18 as part of the Benefits audit. The area is currently undergoing improvement so will be revisited as part of the key financial system schedule in 2018/19.
9	Key Financial System - Finance	NNDR billing and collection	24	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
10	Planning	Planning enforcement	24	2015/16	This was recently audited and further work in this area is being taken forward by the Corporate Investigations Officers.
11	Key Financial System - Finance	Sundry debtor recovery	24	2015/16	Include in 2018/19 plan as per schedule for key financial systems.
12	Planning	Planning applications	23	2005/06	Include in 2017/18 plan.
13	Key Financial System - Finance	Council tax billing and collection	23	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
14	Community	Weekly refuse and recycling collection contract	23	Not audited	Include in 2017/18 plan.
15	Key Financial System - Finance	Council tax recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.
16	Key Financial System - Finance	NNDR recovery	23	2016/17	Include in 2018/19 plan as per schedule for key financial systems.

17	Community	Aldershot and Farnborough Markets	23	2015/16	A follow up and work in this area is still ongoing from 2016/17 audit review, so this will be included within the 2017/18 plan as a follow up.
18	Community	Car boot sales	23	2015/16	A follow up will be carried out in 2017/18 plan in conjunction with item 17 above.
19	Finance	Financial Borrowing	23	Not audited	Include in 2017/18 plan.
20	Community	Digital advertising boards	22	Not audited	Depends on resources available
21	Democratic & CSU	Constitution	22	Not audited	Depends on resources available
22	Key Financial System - DMB	Payroll/ Pay	22	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
23	Planning	SANGS	22	Not audited	Include in 2017/18 plan.
24	Planning	S106 agreements	21	2010/11	Depends on resources available
25	DMB	External funding applications	21	Not audited	Depends on resources available
26	Community	Grants to organisations	21	2015/16	This area was audited in 2015/16 and a follow up carried out in 2016/17.
27	Environmental Health & Housing	CCTV	21	2013/14	Depends on resources available

28	IT & Facilities	PCI compliance	21	2008/09	Depends on resources available
29	Key Financial System - Finance	Treasury Management	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
30	Key Financial System - Finance	Council tax reliefs, reductions and exemptions	21	2016/17	Include in 2019/20 plan as per schedule for key financial systems.
31	Key Financial System - Finance	NNDR hardship, reliefs and exemptions	21	2015/16	Include in 2017/18 plan as per schedule for key financial systems.
32	Environmental Health & Housing	Disabled facility grants	21	2011/12	Depends on resources available
33	IT & Facilities	External tenants	21	2016/17	This area was audited in 2016/17. A follow up will be scheduled in 2017/18 plan.
34	Democratic & CSU	Corporate policy/ strategic objectives/ corporate planning	21	Not audited	Depends on resources available
35	Democratic & CSU	Strategic partnerships	21	Not audited	Depends on resources available
36	Community	Car park machine income off street parking	21	2016/17	This area was audited in 2016/17 and a follow up will be scheduled in 2017/18 plan.

LICENSING & GENERAL PURPOSES
COMMITTEE
26TH JUNE 2017

HEAD OF FINANCIAL SERVICES
REPORT NO. FIN1723

STATEMENT OF ACCOUNTS 2016/17 - DUTIES AND RESPONSIBILITIES

SUMMARY AND RECOMMENDATIONS:

SUMMARY: This report sets out the duties and responsibilities for the Licensing and General Purposes Committee in order to provide effective scrutiny of the Council's financial statements

RECOMMENDATIONS:

Members are requested to note the contents of this report

1 INTRODUCTION

- 1.1 The Statement of Accounts for 2016/17 has been prepared in line with CIPFA's 'Code of Practice on Local Authority Accounting' for 2016/17, under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2015.
- 1.2 The Accounts and Audit (England) Regulations 2015 provide for the requirement for the Statement of Accounts 2016/17 to be available for public inspection online for a 30 working day period commencing Friday 1st July through to Thursday 11th August.
- 1.3 Additional requirements also need to be observed in respect of publication, inspection and approval. From 2017/18, the timetable of events will be accelerated to accommodate the earlier closure of the Accounts, as reported to previous meetings of the Committee. A summary of the 2016/17 requirements and the changes for future years is attached as Appendix 1.
- 1.4 CIPFA recommended practice is to issue the Statements to 'those charged with governance' in advance of the September 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 2016/17

- 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 (Narrative Statement)
- Statement of Responsibilities
- 4 key financial statements – Movement in Reserves, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow
- Prior Period Adjustment (the nature of which was disclosed to the Licensing and General Purposes Committee on Thursday 25th May 2017)
- Expenditure & Funding Analysis (a new statement introduced for 2016/17)
- 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 draft Statement of Accounts and their approach to considering the final version for approval in September 2017.

2.4 The Auditors' Report will be available alongside the audited statement of accounts for 2016/17 at the meeting of the Licensing and General Purposes Committee meeting to be held on Monday 25th September 2017.

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 in Appendix 2 to this report.

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 narrative statement? 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 Licensing and General Purposes 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 / CHIEF FINANCIAL OFFICER

Statement of Accounts 2016/17 - Certification, Approval and Publication

Rushmoor's Statement of Accounts 2016/17 - To be available at 30th June 2017

Certification by the Chief Financial Officer

The CFO must:

- (a) sign and date the Statement of Accounts
- (b) confirm that they are satisfied that the Statement presents a true and fair view of the financial position of the authority at the end of the financial year
- (c) the authority's income and expenditure for the financial year

The certification has to be signed off before the draft Statement of Accounts is made available for public inspection. The effective deadline for 2016/17 is the day before the first working day of July 2017 (i.e. 30th June 2017)

The requirement for the end of June certification effectively establishes an end-point for the drafting of the Statement of Accounts. By this date the Statement will be in such a state of completion and accuracy that the CFO is assured that it presents a true and fair view. Subsequent changes would be related to the correction of misstatements and omissions identified by the auditor or the updating of disclosures for subsequent events.

Public Inspection Period

For 2016/17 there is a formal requirement to publish the unaudited Statement as the focus for the public inspection period. As described above, the CFO will sign, date and certify the unaudited Statement of Accounts for 2016/17 and commence the period for the exercise of public rights. The inspection period must comprise a single period of 30 working days. For the 2016/17 Accounts, the period will start on Saturday 1st July 2017 and end on Friday 11th August 2017.

Website publication and additional information that accompanies the Accounts (including the exercise of public rights)

The CFO will publish the unaudited certified Statement of Accounts (which must at least include publication on the authority's website).

The unaudited 2016/17 Statement of Accounts must be accompanied by:

- (a) a CFO signed declaration that the Statement of Accounts are unaudited and may be subject to change
- (b) the Annual Governance Statement
- (c) the Narrative Statement

The CFO must also publish a statement under regulation that sets out:

- (a) the period for the exercise of public rights
- (b) details of how interested parties should give notice of an intention to inspect the accounting records and other documents
- (c) the name and address of the local auditor

- (d) the provisions regarding the rights of public inspection of documents
- (e) right to make objections at audit)

The period for the exercise of public rights then commences on the day after the requirements for the publication of the unaudited Statement of Accounts and the statement of public rights have been satisfied.

The CFO is required to notify the external auditor when the public inspection period has commenced.

Rights of inspection

Any persons interested may:

- (a) inspect the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to them
- (b) make copies of all or any part of those records or documents

On completion of external audit (to be a date in September 2017 prior to the L & GP Committee meeting)

The CFO must re-confirm their view that the Statement of Accounts presents a true and fair view before it is given member approval. This is an absolute requirement, and the CFO cannot rely on the original certification, even if the Statement of Accounts has not changed since the unaudited version was published.

Approval by Members in September 2017

Members are required to approve the Statement of Accounts at the L & GP meeting in September 2017. Members have a duty to:

- (a) consider the Statement of Accounts
- (b) approve the Statement by a resolution
- (c) ensure that the Statement is signed and dated by person presiding at the meeting

Publication

The approved the Statement of Accounts for 2016/17 must then be re-published with

- (a) the Annual Governance Statement (also approved by members in advance of the Statement of Accounts)
- (b) (b) the Narrative Statement

The Regulations state the above as separate documents. This is important for the Statement of Accounts, as this is the document that the CFO and the auditor are required to certify as true and fair and care needs to be taken that this view is not taken to apply to any other statement.

Once the Statement of Accounts is published, the Council must:

- (a) keep copies of the Statement of Accounts, Annual Governance Statement and Narrative Statement for purchase on payment of a reasonable sum
- (b) ensures that the three Statements remain available for public access for at

least five years after the date of publication

The Council must additionally publish a statement as soon as reasonably practicable after the conclusion of the audit. The statement must include

- (a) confirmation that the audit has been concluded and that the Statement of Accounts has been published
- (b) information about electors' rights of to inspect and make copies of the Statement of Accounts, the auditor's certificate of completion, the auditor's opinion on the Statement of Accounts, any public interest report relating to the authority or an entity connected with it, and any recommendation relating to the authority or an entity connected with it
- (c) details of the address and the hours during which inspection rights may be exercised

Electors have a right to inspect the documents at all reasonable times and without payment and a right to be supplied with copies on payment of a reasonable sum.

Annual audit letter

When the annual audit letter is received from the auditor, the L & GP committee will meet to consider its contents as soon as reasonably practicable. The Council then must

- (a) publish the audit letter
- (b) make copies available for purchase on payment of such sum as the authority may reasonably require

Changes for future years

For 2017/18, the requirements are accelerated and the principle dates become:

- (a) The CFO must sign and date the Statement of Accounts 2017/18 and provide associated information by **31st May 2018**.
- (b) External audit has to be achieved within **July 2018**, &
- (c) The L & GP committee must approve the Statement of Accounts 2017/18 by **31st July 2018**

Licensing and General Purpose Committee's Roles and Responsibilities

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

**People and
Communities**



Prosperity



Place



Leadership



**Good Value
Services**

Draft Statement of Accounts

2016 - 17

RUSHMOOR
BOROUGH COUNCIL

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Narrative Statement from the Chief Financial Officer

The Narrative Statement that accompanies the Statement of Accounts is designed to provide an overall explanation of the Council's financial position during 2016/17 and looking ahead. It includes information about the operation of the Council and the major influences affecting its accounts. The aim of the report is to assist readers in their understanding and interpretation of the accounting statements, in order to provide confidence that public money has been properly accounted for and that the financial standing of the Council is secure.



Changes were made in the previous financial year in relation to the requirements for approval, inspection and publication of the Statement of Accounts, as set out in the Accounts and Audit Regulations 2015. This includes a requirement for all local authorities to provide a 30-day public inspection period, which must include the first 10 working days of July. Notification of the period is reported on the Council's website, alongside the unaudited, draft Statement. There is no specific requirement for the relevant committee (in Rushmoor's case, Licensing and General Purposes Committee) to review the draft Statement of Accounts ahead of final approval in September. However, a draft is presented to Committee in June, in line with good practice.

The Narrative statement contains the following key sections:

1. An introduction to Rushmoor
2. Key facts about the Council
3. Financial performance of the Council 2016/17
4. Non-financial performance of the Council 2016/17
5. Corporate Risks
6. Explanation of the Financial Statements

1. An introduction to Rushmoor



The Borough of Rushmoor, with an estimated population of around 95,300, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.

The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, and works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fifteen years.

2. Key facts about Rushmoor Borough Council

Rushmoor Borough Council is a complex organisation providing a wide variety of services to the public, from regulatory services including licensing, planning and building control, to universal services such as waste collection & recycling and welfare services such as housing needs & the administration of housing benefits. Behind these frontline services are all of the support functions that enable the services to happen, such as finance, I.T. and legal services as well as our customer services staff that look after the customers visiting and contacting the Council. These are just a few services among the many provided by a Council employing around 300 members of staff. The Council's policies are directed by its political leadership and implemented by the Directors' Management Board, Heads of Service and other officers of the Council.

• The Political Structure of the Council in the 2016/17 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2016/17 was as stated below:

	Councillors
Conservative Party	26
Labour Party	11
UKIP	2
Total number of all elected members	39

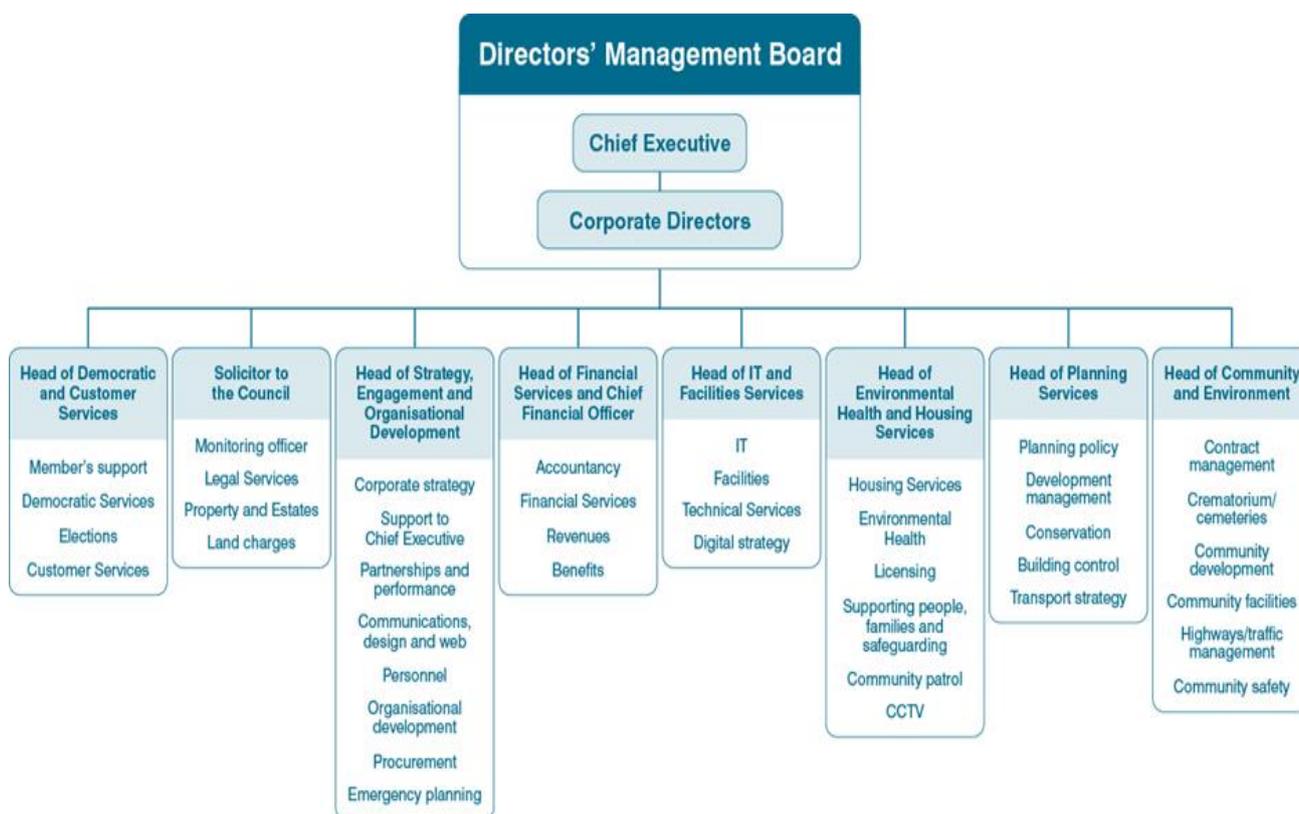
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

• The Management Structure of the Council

Supporting the work of elected Members is the organisational structure of the Council headed by the Chief Executive as the Head of Paid Service. The Directors' Management Board (DMB), consisting of the Chief Executive and two Directors, considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Head of Financial Services (Chief Financial Officer) is able to attend all meetings of DMB, as is the Solicitor to the Council as Monitoring Officer. This ensures that these key statutory roles have on-going access to the most senior level of the Council. Prior to the commencement of 2016/17 the Cabinet considered and approved a report amending the Council's structure, creating Corporate Directors, leading on cross-cutting themes, rather than individual services, and reducing the number of Heads of Service from nine to eight. Individual services and activities were realigned more efficiently, bringing together work that had previously been split across services and some additional resources were proposed to deliver new priorities.

An outline of the structure follows:



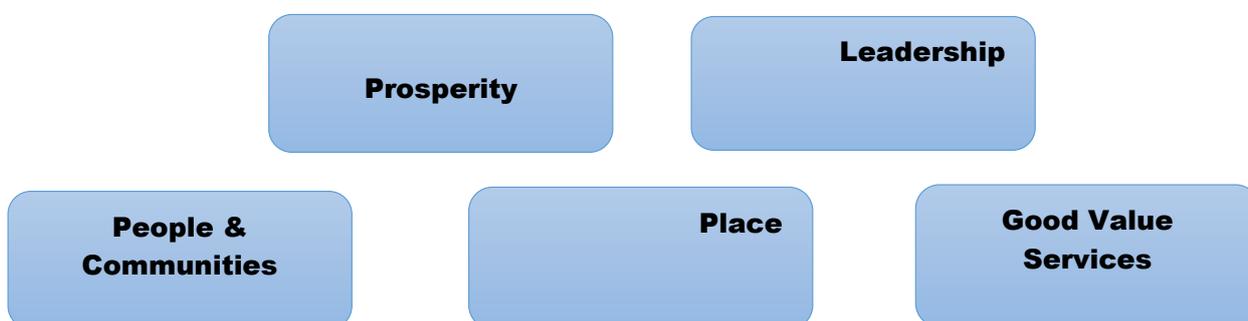
During 2016/17 the Directors’ Management Board continued their review centred around the Council’s Organisational Development work – providing a workforce equipped to deal with the ever-changing challenges facing local government, accompanied by a revised Development Review process (previously Appraisal process), a skills audit and a co-ordinated approach to Learning and Development needs.

• **The Corporate Plan**

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Corporate Plan is divided into five priority themes which support our overall purpose to work with others to improve the quality of people’s lives.



• Key issues that influenced the Council and its financial position in 2016/17

The PESTLE analysis shown below highlights some of the key issues influencing the Council in 2016/17 and looking ahead to 2017/18.

Political

- Impact of continuing central government austerity measures leading to reductions in central government funding for local government and greater emphasis on locally generated funding
- Housing and Planning Act: Consideration of impact on the Council and its residents
- Continuing impact of Brexit resulting from the EU Referendum June 2016
- The devolution debate – consideration of options for Rushmoor Borough Council within a wider combined authority structure
- Plans to move to 100% local retention of Business Rates

Economic

- Regeneration: The Council continued with its town centre regeneration plans for Aldershot and Farnborough (see below under 'Environmental' for detail)
- Economy: The impact of the economy has been felt via the austerity measures referred to above in addition to pressure on income streams as residents' income is squeezed and low interest rates impact on the Council's investments.
- Pressure on partners: local voluntary sector organisations have been under increasing demand pressure from residents.
- Local growth in business rates during 2016/17
- Business rates revaluation for the year 2017/18 and onwards

Social

- Demographic changes: Rushmoor faces both an ageing population and a pressure on school places.
- Community and Social Cohesion: Remains a high priority for Rushmoor, with delivery of its Cohesion Strategy and Neighbourhood renewal plans high on the agenda.
- Rushmoor increased its role locally on the Supporting Families Initiative.
- Educational attainment has become a local priority with Rushmoor being an active participant in support for local schools and their recruitment issues

Technological

- Rushmoor has been responding to a number of technological challenges such as developing new ways of working including remote or flexible working for staff, the accessibility of services for customers and the impact of social media. In 2016/17, work continued on the Channel Shift programme, developing more efficient ways to interact with our customers.
- Alongside this, the Council has been developing a Digital Strategy, which describes how we will use modern tools and technologies to enable services which are effective, convenient and value for money and which help make Rushmoor a better place to live and work.
- Responding to the threat of cyber-crime and maintaining security compliance

Legal

- Responding to legislation and assessing the impact on the Council and its residents

Environmental

- The shortage of Suitable Alternative Natural Green Space (SANGS) has begun to impact on housing supply and the Council is actively seeking alternative options
- The Wellesley development in Aldershot is progressing with the provision of 3,850 homes over the medium- to long-term
- Progressing the Local Plan and working with the duty to co-operate with neighbouring planning authorities
- Farnborough Civic Quarter Masterplan Supplementary Planning Document (SPD) provides the planning framework for redevelopment of the area
- Aldershot Town Centre Prospectus SPD provides the planning framework for a number of key sites around the town including The Galleries, Railway Station and Union Street East.
- The Council has established an Aldershot Regeneration Working Group in early 2016/17 to take forward the aspirations of the Prospectus and encourage investment in the town centre.

• The Medium Term Financial Strategy

The Council has a rigorous budget process, setting itself a budget that incorporates the Council's priorities and objectives over the medium term and producing a Financial Strategy, a Medium Term Financial Forecast, detailed budget reports which are approved by Full Council each year and the annual budget book. The Financial Strategy sets out the framework for the production of the Medium Term Financial Forecast and the annual budget. It is reviewed and updated in response to internal and external factors such as changing corporate priorities, prevailing economic conditions, government policy and changes to funding mechanisms. The Strategy underpins the Corporate Plan and provides the basis for delivering a stable and sustainable financial position to enable the Council to achieve its strategic objectives.

Given the uncertain (although improving) economic climate, major government policy changes and changes to the funding mechanisms for local government, the financial position of the Council is potentially more volatile and subject to greater risk than in the past. The austerity measures introduced by central government to tackle the national budget deficit have impacted heavily on local government and are likely to continue for some time. The economic climate also affects the levels of income from services such as planning, parking, land charges and building control, which are factored into the medium term forecast. Other areas affected would be interest receipts given the low level of current interest rates. This has been mitigated in part during 2016/17 by continued diversification in our investment portfolio and the acquisition of some additional investment property.

One of the key elements of the Financial Strategy has been the Council's approach to reserves. The strategy allows reserves to be set aside to mitigate against specific, known risks and against unexpected fluctuations in the Council's income streams. For example, in 2012/13, a new Stability and Resilience Reserve was created to enable the Council to weather sudden downturns in its income, which might arise through the operation of the new Business Rates Retention Scheme or due to general economic pressures on income. Reserves are also set aside to support major projects within the Corporate Plan, which support delivery of the Council's strategic objectives as well as invest-to-save schemes. The level of balances for the Council's general revenue fund has

been set at a range of £1million - £2 million. Together the balances and reserves provide an appropriate buffer against the risks facing local government generally and Rushmoor locally.

The Financial Strategy also sits as part of the Council's 8-point plan towards sustainability as set out below:

- The Workbook – looking at priorities and reviewing what we do
- Efficiency and Transformation - doing things smarter - looking at how we do things to reduce costs
- Income generation and investment opportunities
- Better use of property and assets
- Reviewing our Medium Term Financial Strategy
- Reviewing our organisational structure
- Better procurement
- Effective taxation policies

The plan is reviewed on an on-going basis by both officers and Members, ensuring its continued relevance, with clear accountability for each work-stream and realistic targets for achieving net cost reductions within relevant timescales. The Cabinet have commissioned the Budget Strategy Working Group to:

- To monitor the delivery of the 8 – Point Plan against the objectives relating to income, savings and efficiencies
- To examine and provide input into the development of projects of the 8 – Point Plan
- To review the process for setting priorities and preparing the budget, including Member engagement in the process
- To monitor the Council's Medium Term Financial Strategy and progress towards achieving financial sustainability

In particular, the group are currently reviewing the Council's workbook (a detailed log of all activities carried out by services) to identify areas for potential savings, income generation or efficiency review. As mentioned already, alongside the financial review, sits the Council's Organisational Development Programme, which strives to create a workforce 'fit for the future', recognising that sustainability is as much about our staff and the way we work as it is about our financial position.

• **The Capital Programme 2016/17 to 2020/21**

The original Capital Programme for 2016/17 was approved at the Council meeting of 25th February 2016 and reflected a medium term view of capital expenditure and funding covering the period 2016/17 to 2019/20. As 2016/17 progressed, the estimates for the year were revised in line with new assumptions and information as it became available and for new projects approved during the year. A revised Capital Programme for 2016/17 was subsequently approved at the Council meeting of 23rd February 2017 covering the period up to 2020/21. The Capital Programme for 2016/17 and beyond reflects the Council's priorities and its 8-point plan including:

- Invest to save schemes and property investment schemes, which will generate additional income streams for the Council.
- Investment in local amenities such as football pitches and playgrounds, mainly funded by developers' contributions
- Continued investment in our town centres including major investment in Aldershot town centre and the links to the new Wellesley development
- Acquisition and development of a site for the provision of a depot for the Council's Waste, Recycling and Street Cleansing services
- The table on the following page shows the revised capital programme for 2016/17 and the indicative programme for following four year period 2017/18 to 2020/21

Capital Expenditure displayed by Portfolio	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000
Corporate Services	20,857	6,764	308	253	253
Leisure & Youth	837	362	740	190	120
Environment & Service Delivery	4,714	5,455	102	102	102
Business, Safety & Regulation	102	83	10	750	-
Health and Housing	1,037	965	866	866	866
Total Expenditure	27,547	13,629	2,026	2,161	1,341

Funded by:	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000
Revenue Contributions	728	-	-	-	-
Grants/Contributions from other bodies	2,468	1,526	931	1,431	831
Developers' Contributions	375	1,759	400	-	-
Capital Receipts/Borrowing	23,976	10,344	695	730	510
Total Funding	27,547	13,629	2,026	2,161	1,341

3. A summary of the 2016/17 financial performance of the Council

- Revenue Outturn Position

The Council's summary revenue outturn position is shown below. The initial budget for 2016/17 was approved by Council on 25th February 2016, forecasting net revenue expenditure of £9.9 million funded by £5.7 million from Council Tax and £4.2 million from Central Government in the form of Revenue Support Grant and income under the revised system for distributing Business Rates. This allowed for a 1.99% increase in Council Tax and committed or inescapable additional items of £44,000. The budget also included expected savings, through cost reduction or income generation, of £860,000. This resulted in an estimated general fund revenue balance of £1.5 million, which was within the approved range for balances of £1 million to £2 million.

The provisional outturn for 2016/17, reported to Cabinet 30th May 2017, showed an improvement on this position with further savings and efficiencies being achieved, due in part to the continued restraint in spending exercised by Heads of Service and significant additional income generated in the year.

The Service Improvement Fund utilised £319,000 in the year to support projects such as channel shift, organisational development and major contract renewal in support of a sustainable financial future. Sufficient General Fund resource was available at the end of the year to transfer back an amount of £501,000 into the Service Improvement Fund for future project support.

The Council engaged in the option to finance elements of service reform revenue costs during the financial year 2016/17 in relation to the "flexible use of capital receipts" initiative. Recognition of this limited duration opportunity was made and a capital receipt was generated early in the year in the sum of £500,000. Capitalised expenditure in the year amounted to £162,000 leaving £338,000 to be carried forward into the two remaining future financial years (2017/18 & 2018/19) for application against the revenue costs of service reform projects.

Additional information regarding earmarked reserves can be found in note 9 to the Statement of Accounts.

Revenue Outturn Summary	Revised Estimate 2016/17 £000	Outturn 2016/17 £000	Variance 2016/17 £000
Net Service Expenditure	13,512	11,704	(1,808)
Corporate Income and Expenditure	(370)	(313)	57
Contributions to/(from) Reserve accounts	(960)	855	1,815
Central Government Funding	(6,463)	(6,582)	(119)
Contribution to/(from) balances	(55)	-	
Council Tax Requirement	5,664	5,664	
1 April 2016	2,000	2,000	
General Fund Transfer	(55)	-	
31 March 2017	1,945	2,000	

The table above does not correspond directly to any of the core statements presented in the Statement of Accounts 2016/17. This is because it contains a combination of figures from both the Comprehensive Income & Expenditure Statement and the Movement in Reserves, while omitting other figures that appear in those statements.

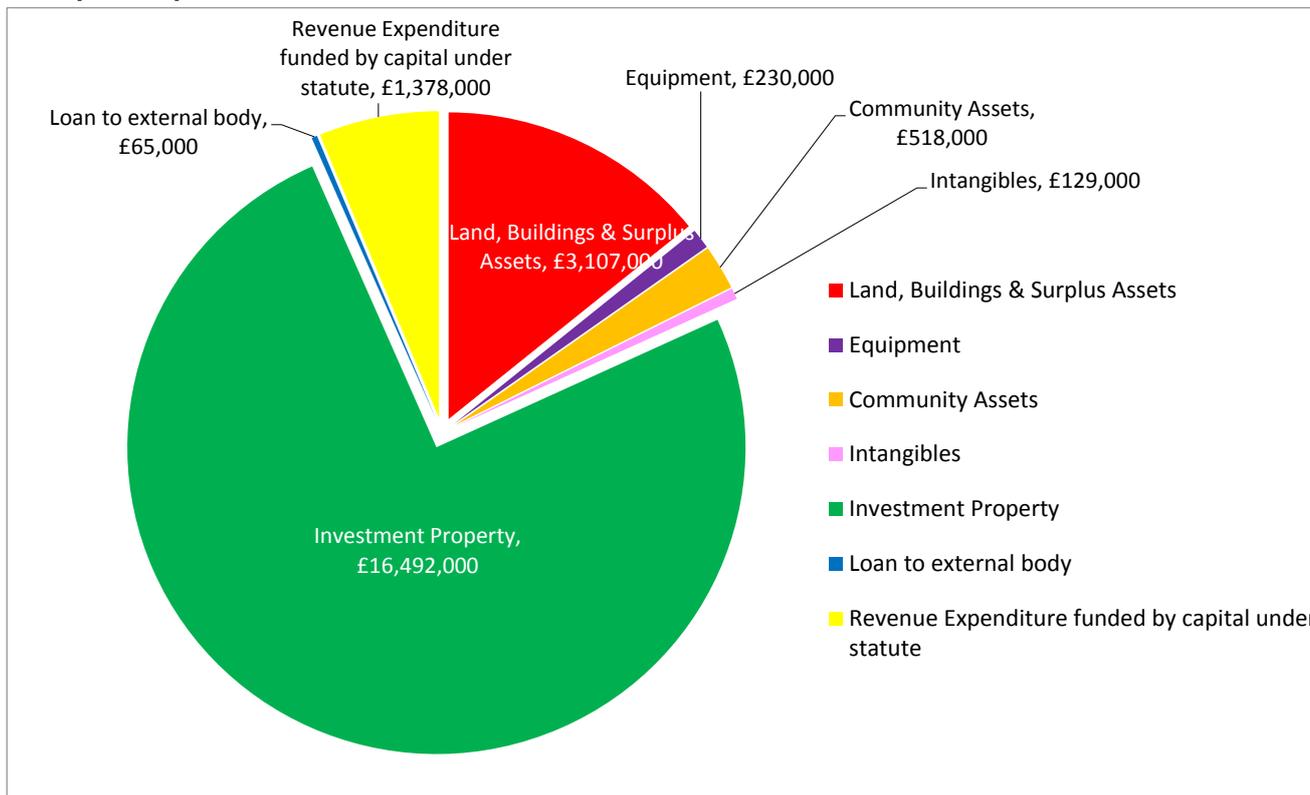
The summary presented above is a simplified version of the format that is used to present the revenue budget to Members and its aim is to show the effect of the year's transactions on the General Fund Balance.

Accounting transactions for items such as Pension Accounting, Capital charges and Employees Benefit adjustments for example, which are all adjusted for elsewhere in the core statements, are not included here, as they have no direct impact on the level of general fund reserves.

• Capital Outturn Position

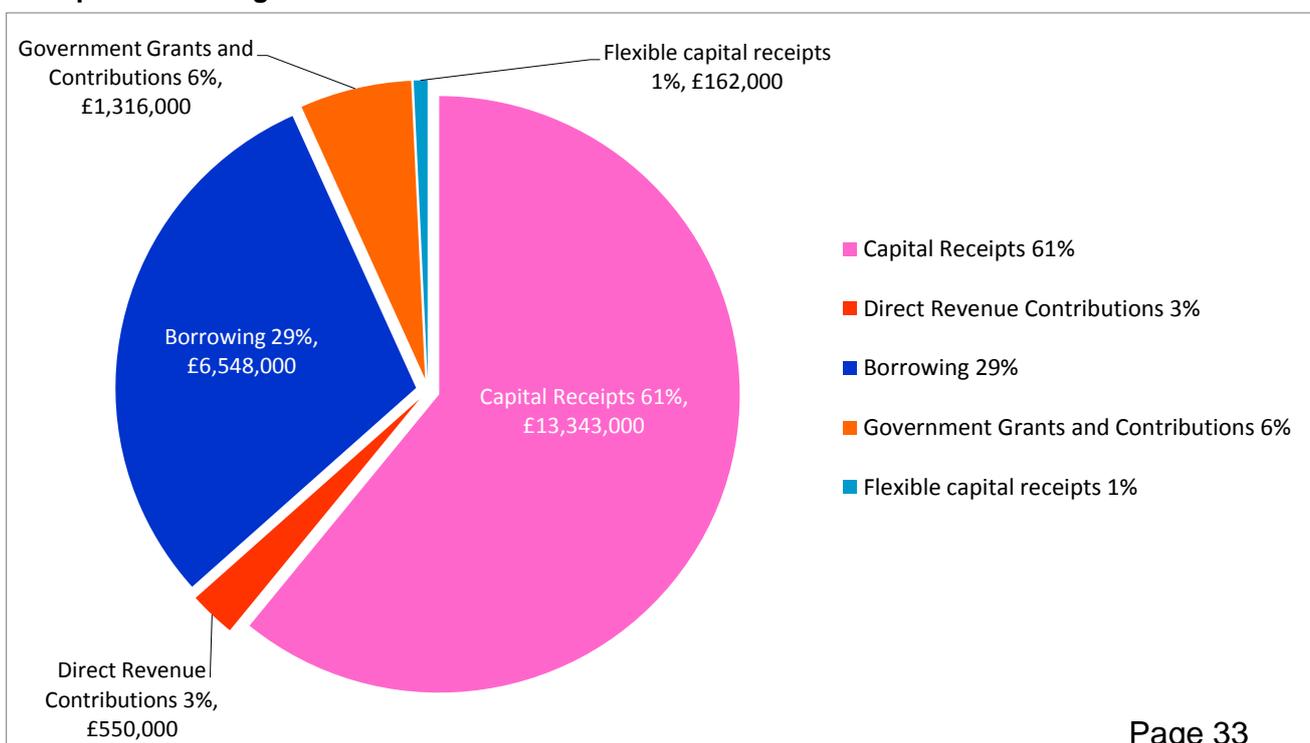
The Council spent £21.919 million on its capital programme in 2016/17, which is presented graphically below.

Capital Expenditure 2016/17



The capital financing of the programme is presented below, showing that a significant element was funded from capital receipts, while the remainder was funded from grants, contributions, revenue and some borrowing.

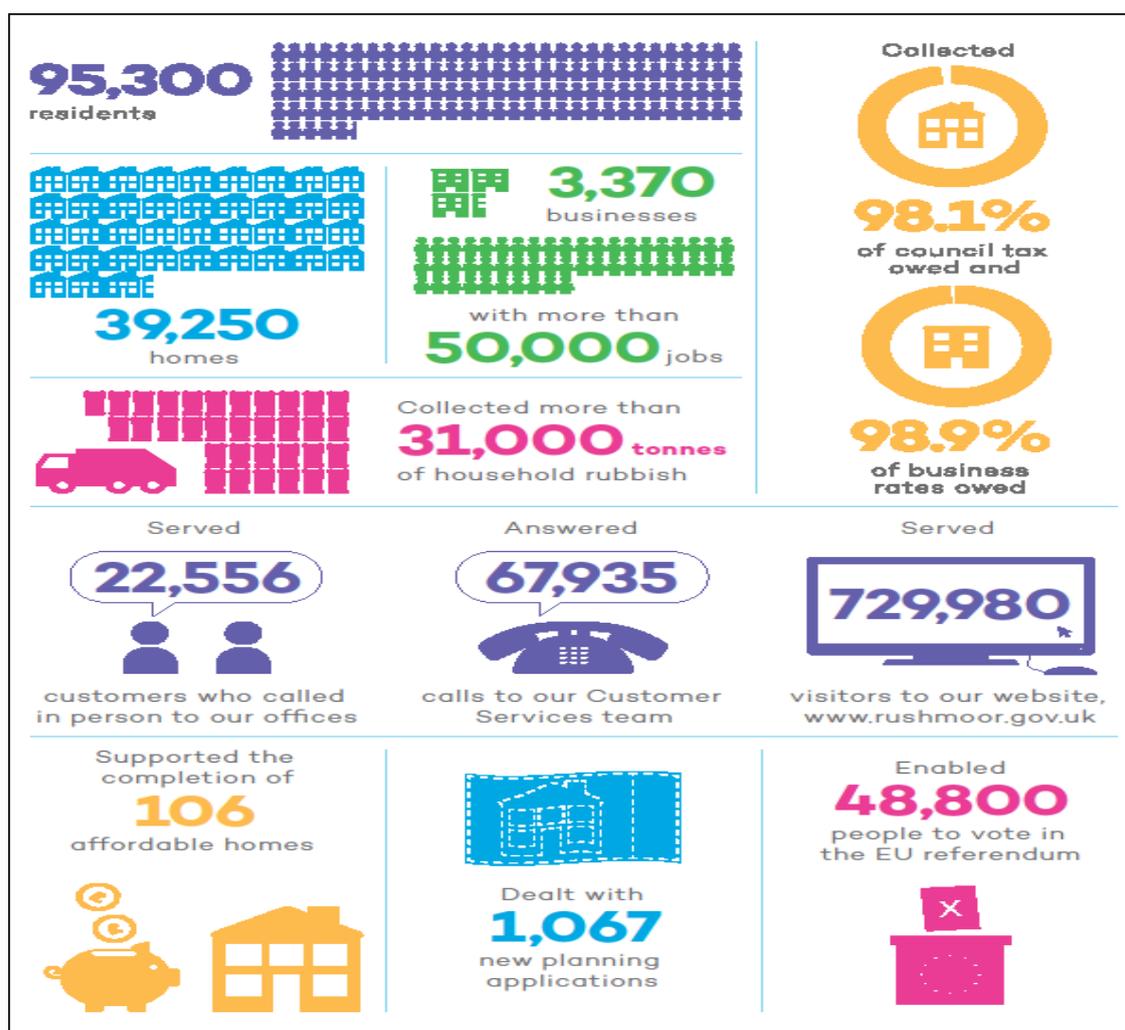
Capital Financing 2016/17



4. Non-Financial Performance of the Council

During 2016/17, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position. We have established good financial management processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

The Council's Quarter 4 Corporate Performance Monitoring report can be found on the RBC website at Cabinet meeting - 30 May 2017 - Rushmoor Borough Council and contains extensive performance data relating to each of our five themes. This includes Community Safety data such as local crime rates, educational attainment, benefit caseloads and local economic data. In addition, it provides progress reports against key schemes with the Council's 8 point plan for achieving financial sustainability as well as the Organisation Development Programme. The graphic below provides some useful quantitative information about the Council.



5. Corporate Risks

Corporate risk is monitored via the use of a Corporate Risk register which identifies the likelihood and severity of key risk issues. Periodic updating of the PESTLE analysis also identifies key risk areas for the Council and helps to shape our priorities. We believe that our performance monitoring, both financial and non-financial, our governance arrangements and our focus on the sustainability of the organisation, mitigates the risks we are facing and we are well placed to respond to the ever-changing environment.

6. Explanation of the Financial Statements

Rushmoor Borough Council's Statement of Accounts for the year ended 31st March 2017 is set out on the following pages. The Statement has been prepared in accordance with requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The style and format is similar to that of previous years while the content has been reviewed in line with our aim to remove clutter from the accounts. The Statement of Accounts consists of financial statements and accompanying notes. The following four main statements report on Rushmoor Borough Council's core activities:

Movement in Reserves Statement	< Page 14	The Movement in Reserves Statement shows how the impact of the council's net comprehensive income and expenditure for the year is distributed across its usable and unusable reserves
Comprehensive Income and Expenditure Statement	< Page 15	A statement of the Council's income and expenditure for the year. The upper element of the statement provides a Portfolio analysis by service area, and lower element shows corporate transactions and funding
Balance Sheet	< Page 16	The Balance Sheet gives the council's financial position at the end of the year, showing the value of the assets and liabilities which make up the Council's overall reserves, sometimes known as its net worth
Cash Flow Statement	< Page 17	Highlights changes in the Council's cash balances during the year and whether those changes are due to operating activities, new investment, or financing activities

Also included in the Statement of Accounts are the following supplementary financial statements and accompanying notes:

Expenditure and Funding Analysis	< Page 31	The Expenditure and Funding Analysis is new for the year 2016/17. It takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement
Collection Fund Statement	< Page 72	A statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with payments to Precepting Authorities, Central Government and its own General Fund

Other Reports & Statements		Other Reports & Statements include the Independent Auditor's Report providing the auditor's opinion on the financial statements and the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. The Council is required to ensure that its financial management is adequate and effective and that there is a sound system of internal controls including arrangement for the management of risk. The Annual Governance Statement , approved following the annual review of this system of internal control, is included in this document, in addition to the Statement of Accounts.
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Accounting Policies

The Council's **Accounting Policies** are laid out in Note 1, and detail of a **Prior Period Adjustment** is provided in Note 2 to the Core Financial Statements.

Significant items of income or expenditure

The Council has acquired some significant non-current assets during 2016/17. These capital additions together with some other large items of income and expenditure are discussed in the paragraphs that follow.

Non-Current Assets Valuation

The Council continues to seek the advice of its Valuer as well as employing an external company of Chartered Surveyors for the valuation of capital assets on a rolling cycle. Valuations were made in 2016/17 for (1) Investment properties, resulting in a range of gains & losses transacted through the Comprehensive Income and Expenditure Account, (2) Surplus assets, (3) Leisure Centres, (4) Sport Club buildings and (5) Heritage assets. The reader is reminded that the increases and reductions in asset value for the range of non-current assets has no direct effect on the General Fund revenue account affecting the 'book value' of the non-current assets only.

Business Rates Retention Scheme

Changes to the Business Rates Retention Scheme were introduced some years ago. Under this scheme, the Council's share of estimated rates income for 2016/17 was around 19.0 million, against which it paid a tariff to central government of £15.3 million. As with the Council Tax Collection Fund, any difference in actual collection from these budgeted figures produces a surplus or deficit, which is declared in the following financial year.

Capital Receipts

Capital expenditure on a number of investment properties acquired inside and outside the Borough boundary was incurred within the year 2016/17. A substantial element of these properties were financed by the application of capital receipts reducing the available amount at the end of the financial year to around £5.9m. This amount will be used in future years to finance a capital loan to an external body (around £4.4m) and the remainder used to finance short-life capital expenditure (e.g. equipment) leaving a sum sufficient to complete the financing schedule in relation to the "flexible capital receipts" issue.

Borrowing

The Council had borrowed £4.7million from the M3 Local Enterprise Partnership (M3 LEP) in the previous financial year in order to finance some specific capital projects. In 2016/17 £1.7 million of this sum was repaid as capital expenditure related to an element of the total amount borrowed was considered unlikely to proceed, and a further £0.4 million was also repaid in favour of the M3 LEP. Additionally, the Council raised an additional £12 million short-term borrowing towards the end of the financial year. Total borrowing therefore amounts to £14.6 million at 31st March 2017.

Receipt of further information

Further information about the statements is available from the Head of Financial Services, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – www.rushmoor.gov.uk

Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

Amanda Fahey

Head of Financial Services and Chief Financial Officer

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and its income and expenditure for the year ended 31st March 2017.

Amanda Fahey
Chief Financial Officer
Date: 30th June 2017

Movement in Reserves Statement

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Restated	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
31 March 2015	5,249	19,608	62	24,919	33,618	58,537
Total Comprehensive Income and Expenditure	(3,767)	-	-	(3,767)	7,442	3,675
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 36	8,409	(776)	1,613	9,246	(9,246)	-
31 March 2016	9,891	18,832	1,675	30,398	31,814	62,212
Total Comprehensive Income and Expenditure	3,866	-	-	3,866	20,598	24,464
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 37	(3,011)	(12,969)	(24)	(16,004)	16,004	-
31 March 2017	10,746	5,863	1,651	18,260	68,416	86,676

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The Council raises taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated			Comprehensive Income and Expenditure Statement	2016/17		
2015/16				Gross Exp £000	Gross Income £000	Net Exp £000
Gross Exp £000	Gross Income £000	Net Exp £000				
3,423	(2,296)	1,127	Corporate Services	3,752	(2,926)	826
12,525	(5,262)	7,263	Environment & Service Delivery	7,312	(3,672)	3,640
40,424	(38,579)	1,845	Concessions & Community Support	39,314	(37,456)	1,858
1,921	(481)	1,440	Health & Housing	2,194	(940)	1,254
3,548	(987)	2,561	Business, Safety & Regulation	5,383	(2,973)	2,410
5,838	(2,088)	3,750	Leisure & Youth	4,977	(1,971)	3,006
67,679	(49,693)	17,986	Cost of services - continuing operations	62,932	(49,938)	12,994
150	(71)	79	Other Operating Expenditure (Note 10)	62	(565)	(503)
1,582	(917)	665	Financing and investment income and expenditure (Note 11)	3,273	(7,208)	(3,935)
16,571	(31,534)	(14,963)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	16,394	(28,816)	(12,422)
85,982	(82,215)	3,767	(Surplus) or Deficit on the Provision of Services	82,661	(86,527)	(3,866)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(3,587)	(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 26)			(24,184)
		(3,990)	Remeasurement of the net defined benefit liability/(asset) (Note 26)			3,860
		(7,577)				(20,324)
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services			
		135	(Surplus) or deficit on revaluation of available for sale financial assets (Note 26)			(274)
		(7,442)	Other Comprehensive Income and Expenditure			(20,598)
		(3,675)	Total Comprehensive Income and Expenditure			(24,464)

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated		Balance Sheet	
31 March 2016		31 March 2017	
£000		£000	Notes
48,354	Property, Plant & Equipment	74,719	13
258	Heritage Assets	258	14
26,181	Investment Property	47,997	15
772	Intangible Assets	662	17
27,563	Long-term Investments	24,715	18
2,753	Long Term Debtors	2,337	18
105,881	Long Term Assets	150,688	
5,183	Short Term Investments	4,136	18
5,196	Short Term Debtors	5,464	19
6,823	Cash and Cash Equivalents	5,025	20
17,202	Current Assets	14,625	
26	Cash and Cash Equivalents	-	20
579	Short Term Borrowing	12,429	21
8,197	Short Term Creditors	10,438	22
27	Provisions	-	23
8,829	Current Liabilities	22,867	
2,397	Long Term Provisions	2,738	23
4,121	Long Term Borrowing	2,143	24
43,286	Other Long Term Liabilities	48,526	24
2,238	Capital Grants Receipts in Advance	2,363	35
52,042	Long Term Liabilities	55,770	
62,212	Net Assets	86,676	
30,398	Usable Reserves	18,260	25
31,814	Unusable Reserves	68,416	26
62,212	Total Reserves	86,676	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents to the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e.borrowing to the Council).

Restated

2015/16 £000	Cash Flow Statement	2016/17 £000
(3,767)	Net surplus or (deficit) on the provision of services	3,866
(8,324)	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 27	843
(149)	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 28	(722)
(12,240)	Net cash flows from Operating Activities	3,987
4,936	Investing Activities - see Note 30	(18,446)
6,643	Financing Activities - see Note 31	12,687
(661)	Net increase or (decrease) in cash and cash equivalents	(1,772)
7,458	Cash and cash equivalents at the beginning of the reporting period	6,797
6,797	Cash and cash equivalents at the end of the reporting period	5,025

The Council's cash flow statement has been compiled using the indirect method whereby the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effect of accruals and extracting transactions relating to investing or financing activities.

1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require that it is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council participates in the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hampshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council borrowed funds for the purposes of capital expenditure in 2016/17, and therefore has a capital financing requirement in excess of zero at 31st March 2017. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the balance sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

Financial Assets

Financial assets are classified into two types:

- (i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council holds a number of short-term investments and long-term deposits with Banks and Other Local Authorities, which are classified as loans and receivables, along with cash and cash equivalents, loans to organisations and trade debtors occurring in the normal course of business. Trade and other receivables with duration of less than 12 months are recognised at their nominal value.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the surplus or deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available For Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xii. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment and are therefore subject to the de-minimus capitalisation threshold of £10,000. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below.

The Council's collections of heritage assets are accounted for as follows:-

- Civic Regalia

The items are subject to regular valuation for insurance purposes and the last valuation took place in February 2017. The valuation was carried out by Catherine Hockley BA (Hons) R J Dip – from Andrew Smith & Son, Fine Art Auctioneers & Valuers.

Items are reported in the Balance Sheet at insurance valuation, which is based on market values. The items are deemed to have indefinite useful lives and consequently the Council does not consider it appropriate to charge depreciation.

Some items of civic regalia are on public display behind secure cabinets. Other items are only on public display at certain events.

- Memorials and Statues

No information is available on cost or value in respect of these items. As the values of these assets are not likely to be material, and it is not practical to obtain a valuation at a cost commensurate with the benefits to users, it is considered that these assets are not recognised in the Council's Balance Sheet but are disclosed as a note to the accounts.

Memorials and statues are on public display.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Acquisitions and donations are rare. Where they do occur, acquisitions are recognised at cost and donations are recognised at valuation ascertained in accordance with the Council's policy on valuation of heritage assets.

The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes in the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2016/17 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xvii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to either the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement or the relevant service line in the net cost of services. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SerCOP).

Support services represent the cost of individual services provided within the Council to the organisation as a whole, such as Information Technology, Financial Services and Personnel. They are charged out to direct services by way of Service Level Agreements (SLAs) that are negotiated between departments that are responsible for delivering and using support services.

All costs of management and administration are allocated to Direct Services, with the exception of "Corporate and Democratic Core" – costs relating to the Council's status as a multifunctional, democratic organisation, & "Non Distributed Costs" – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-operational properties.

These two cost categories are as defined in the SerCOP and included within the Council's Corporate Services Portfolio contained within the Comprehensive Income and Expenditure Statement, as part of "Cost of services – continuing operations", and within the Expenditure & Funding Analysis as "Net cost of services".

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that have an expected useful life of more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably (subject to a de minimus capitalisation threshold of £10,000). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer

- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service or Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 Prior Period Adjustment

After the closure of the Council's 2015/16 statement of accounts it was determined that section 106 contributions to be obtained from an external developer were secured by contract during that financial year. The amount that the developer is contractually bound to pay the Council over a seven year period amounts to £3m.

This amount exceeds the level of materiality set for the Council by its external auditor and for this reason the accounts' preparation for 2016/17 contains a prior period adjustment in relation to balances at the end of 2015/16 (31st March 2016).

The fundamental adjustments required to the published balances for 2015/16 in the statement of accounts for 2016/17 expressed in the amount polarity applied in tables to the accounts are as follows:

At 31st March 2016		Published balances in the Statement of Accounts for 2015/16	Adjs	Balances now published in the Statement of Accounts for 2016/17
		£000	£000	£000
Upper element of Balance sheet				
Short-term debtors	Recognition of short-term debtor	4,767	429	5,196
Long-term debtors	Recognition of long-term debtor	182	2,571	2,753
	Net effect on Upper element of Balance sheet		3,000	
Lower element of Balance sheet				
Capital Adjustment Account	Discharge borrowing in relation to capital expenditure scheme Activation Aldershot	60,008	1,387	61,395
Capital Grants unapplied	Income for a "conditions met" section 106 contribution		3,000	
	Transfer to CAA in relation to capital expenditure scheme Activation Aldershot		(1,387)	
	Total effect on Capital Grants unapplied	62	1,613	1,675
	Net effect on Lower element of Balance sheet		3,000	

The contribution of £3m applies though the General Fund Account as "in & out conditions met" amount and has no effect on the final General Fund and associated Earmarked Reserves at 31st March 2016.

Information tables presented in the 2016/17 providing comparative amounts in relation to 2015/16 are labelled "Restated".

Further information regarding tables containing prior period adjustments is provided in Note 43 on Page 71.

3 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Restated						
2015/16	2015/16	2015/16		2016/17	2016/17	2016/17
Adjusted Net Expenditure chargeable to the General Fund	Adjustments between Accounting and Funding Basis	Net (income) or Expenditure in the Comp Income & Expenditure Account		Adjusted Net Expenditure chargeable to the General Fund	Adjustments between Accounting and Funding Basis	Net (income) or Expenditure in the Comp Income & Expenditure Account
£000	£000	£000		£000	£000	£000
1,098	29	1,127	Corporate Services	528	298	826
5,517	1,746	7,263	Environment & Service Delivery	3,639	1	3,640
1,846	(1)	1,845	Concessions & Community Support	1,854	4	1,858
1,439	1	1,440	Health & Housing	1,254	-	1,254
2,563	(2)	2,561	Business, Safety & Regulation	2,411	(1)	2,410
3,671	79	3,750	Leisure & Youth	3,723	(717)	3,006
16,134	1,852	17,986	Net cost of services	13,409	(415)	12,994
(20,776)	6,557	(14,219)	Other income and expenditure not charged to services but is chargeable to the General Fund	(14,264)	(2,596)	(16,860)
(4,642)	8,409	3,767	(Surplus)/Deficit on the Provision of Services	(855)	(3,011)	(3,866)
(5,249)			General Fund opening balance for the year	(9,891)		
(9,891) *			General Fund closing balance for the year	(10,746) *		

* The General Fund closing balances for each financial year stated in the above table are composed of the following sources:

£000		£000
(2,000)	General Fund Reserve	(2,000)
(7,891)	Earmarked Reserves	(8,746)
(9,891)		(10,746)

Further notes on the Expenditure & Funding Analysis continue on the following page.

Notes to the Expenditure & Funding Analysis

The adjustment between Accounting and Funding Basis on Page 31 comprises the following amounts:

	2015/16			Total Adjs
	Adjs for Capital Purposes (Note a)	Internal Recharges (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate Services	-	1	28	29
Environment & Service Delivery	1,734	2	10	1,746
Concessions& Community Support	-	(1)	-	(1)
Health & Housing	-	-	1	1
Business, Safety & Regulation	-	(2)	-	(2)
Leisure & Youth	(44)	-	123	79
	1,690	-	162	1,852

	2016/17			Total Adjs
	Adjs for Capital Purposes (Note a)	Internal Recharges (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate Services	298	-	-	298
Environment & Service Delivery	-	-	1	1
Concessions& Community Support	-	-	4	4
Health & Housing	-	-	-	-
Business, Safety & Regulation	-	-	(1)	(1)
Leisure & Youth	(708)	-	(9)	(717)
Total	(410)	-	(5)	(415)

Notes

For the year 2015/16

- (a) Asset impairment costs and revaluations, offset by the inclusion of charges in relation to contractor's use of vehicles to conduct Council operational requirements (IFRIC 4)
- (b) Allocation of internal charges between Portfolio Units
- (c) Minor transactions

For the year 2016/17

- (a) Asset revaluations
- (b) Allocation of internal charges between Portfolio Units
- (c) Minor transactions

Notes to the Expenditure & Funding Analysis continued

The figures for the net General Fund expenditure (net cost of services) in the first column of the Expenditure & Funding Analysis on Page 31 include the following amounts of income:

2015/16			2016/17	
Revenues from external customers	Revenues from trans with Other Services		Revenues from external customers	Revenues from trans with Other Services
£000	£000		£000	£000
(2,629)	(6,227)	Corporate Services	(3,310)	(6,440)
(3,235)	(493)	Environment & Service Delivery	(3,395)	(514)
(38,579)	-	- Concessions& Community Support	(37,446)	-
(56)	(25)	Health & Housing	(124)	(25)
(3,295)	(29)	Business, Safety & Regulation	(3,575)	(26)
(2,017)	(60)	Leisure & Youth	(1,962)	(59)

4 Accounting standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

For 2016/17 the list of standards are as below:

Amendment to the reporting of pension fund scheme transaction costs

Amendment to the reporting of investment concentration

The amendments (for pension funds) are not expected to have any material impact on the information in the Council's financial statements.

5 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided on the following page:

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant & Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 13.

6 Assumptions made about the future and major sources of estimation uncertainty

The financial statements contain some estimated figures that are based on assumptions made by the County Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a risk of adjustment in the forthcoming financial year are provided on the following page:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	At 31st March 2017, the net Pensions Liability was £48.5million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 40). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £60k on the projected service cost. However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £5.24 million due to changes in financial assumptions. Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement decreased by £2.44 million in the previous year.

7 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 30th June 2017. Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23rd June 2016 there is continued volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (Standard & Poor's, Fitch and Moody's) downgraded the UK Sovereign credit rating in the months that followed the Referendum.

There could be an impact on the Council's investment property valuations if confidence in the wider UK property market reduces valuation of the Council's defined benefit pension obligations may also be affected. The quantum of any impact on the financial statements cannot be determined with accuracy and there is likely to be significant ongoing uncertainty while the UK renegotiates its relationships with the EU and other nations.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustment detail is given in tables on the following two pages.

	Restated		Restated	Restated
8 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
For the year 2015/16				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	2,068	-	-	(2,068)
Revaluation losses on Property, Plant and Equipment	1,970	-	-	(1,970)
Movements in the market value of Investment Property	119	-	-	(119)
Amortisation of Intangible Assets	214	-	-	(214)
Capital grants and contributions received/applied	(3,653)	-	1,613	2,040
Revenue expenditure funded from capital under statute	2,134	-	-	(2,134)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(280)	-	-	280
Capital expenditure charged against the General Fund	(1,116)	-	-	1,116
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(59)	59	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(835)	-	835
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	3,460	-	-	(3,460)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,910)	-	-	1,910
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	5,444	-	-	(5,444)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18	-	-	(18)
Total Adjustments	8,409	(776)	1,613	(9,246)

8 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
For the year 2016/17				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,349	-	-	(1,349)
Revaluation gains/losses on Property, Plant and Equipment	(366)	-	-	366
Movements in the market value of Investment Property	(4,635)	-	-	4,635
Amortisation of Intangible Assets	238	-	-	(238)
Capital grants and contributions applied	(1,292)	-	(24)	1,316
Revenue expenditure funded from capital under statute	1,380	-	-	(1,380)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-	-	(1)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	-	-	-	-
Capital expenditure charged against the General Fund	(550)	-	-	550
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(536)	536	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(13,505)	-	13,505
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	3,360	-	-	(3,360)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,980)	-	-	1,980
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	29	-	-	(29)
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	-	-	9
Total Adjustments	(3,011)	(12,969)	(24)	16,004

9 Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

Earmarked Reserves	Balance as at 31 March 2015 £000	Transfer Out 2015/16 £000	Transfers In 2015/16 £000	Balance as at 31 March 2016 £000	Transfer Out 2016/17 £000	Transfers In 2016/17 £000	Balance as at 31 March 2017 £000
North Lane Lodge	-	-	-	-	-	45	45
Stability and Resilience Reserve	-	-	3,808	3,808	-	-	3,808
Commuted Sums/Amenity Areas	1,278	(50)	691	1,919	(42)	559	2,436
Mercury Abatement	-	-	484	484	-	45	529
Service Improvement Fund	887	(440)	-	447	(319)	501	629
Insurance Reserve	280	(27)	-	253	-	-	253
Civil Parking Enforcement Surplus	51	-	160	211	-	221	432
Cohesion/Migration Impact/Gurkha Settlement	314	(131)	12	195	(67)	-	128
Other Grants (Individually below £30k)	206	(63)	-	143	(44)	32	131
Budget Carry Forwards	150	(150)	91	91	(91)	90	90
TAG Environmental Fund	76	-	7	83	(5)	-	78
Drug & Alcohol Support	75	-	-	75	(39)	-	36
Housing & Planning Delivery Grant	122	(56)	-	66	-	-	66
Land Charges	65	-	-	65	(20)	-	45
Developing Our Communities	70	(34)	-	36	(11)	-	25
Individual Electoral Registration	37	(22)	-	15	-	-	15
Total of all Earmarked General Fund Reserves	3,611	(973)	5,253	7,891	(638)	1,493	8,746

10 Other Operating Expenditure

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Other Operating Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	(12)	(12)	Photovoltaic Cells Feed In Tariff	-	(20)	(20)
-	-	-	- Advertising income	-	(10)	(10)
-	(59)	(59)	Other Corporate expenditure	129	-	129
-	-	-	(Gains)/losses on the disposal of non-current assets	-	(535)	(535)
27	-	27	MMI Levy Provision	-	-	-
123	-	123	Allowance for Doubtful Debts	(67)	-	(67)
Page 62	(71)	79		62	(565)	(503)

11 Financing and Investment Income and Expenditure

Note that the 2015/16 amounts are adjusted in relation to CI&E revisions introduced for 2016/17

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Financing and Investment Income and Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	-	-	Interest payable and similar charges	11	-	11
1,440	-	1,440	Net interest on the net defined benefit liability (asset)	1,440	-	1,440
-	(894)	(894)	Interest receivable and similar income	-	(751)	(751)
142	(23)	119	Changes in the fair value of Investment Property	1,822	(6,457)	(4,635)
1,582	(917)	665		3,273	(7,208)	(3,935)

12 Taxation and Non-specific Grant Income and Expenditure

Restated

2015/16 Gross Exp £000	2015/16 Gross Inc £000	2015/16 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2016/17 Gross Exp £000	2016/17 Gross Inc £000	2016/17 Net Exp £000
-	(5,476)	(5,476)	Council Tax income	-	(5,664)	(5,664)
-	(88)	(88)	Collection Fund (Surplus)/Deficit - Council Tax	-	(78)	(78)
1,025	-	1,025	Collection Fund (Surplus)/Deficit - NDR	377	-	377
15,178	(18,620)	(3,442)	Non Domestic Rates (Income) and Expenditure	15,305	(19,018)	(3,713)
368	-	368	Non Domestic Rates (Safety net)/Levy Payment	712	-	712
-	(1,756)	(1,756)	Revenue Support Grant	-	(1,104)	(1,104)
-	(2,444)	(2,444)	Non-ringfenced Government Grants	-	(2,477)	(2,477)
-	(3,150)	(3,150)	Capital Grants and Contributions	-	(475)	(475)
16,571	(31,534)	(14,963)		16,394	(28,816)	(12,422)

13 Property, plant and equipment (PPE)

Movements on balances in 2015/16

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000
<u>Cost or valuation</u>					
As at 1 April 2015	58,089	6,909	2,746	194	67,938
Additions	1,254	155	128	5	1,542
Revaluation increases recognised in the Revaluation Reserve	4,500	-	-	179	4,679
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(1,092)	-	-	-	(1,092)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,021)				(5,021)
Derecognition - Disposals	-	(591)	-	-	(591)
As at 31 March 2016	57,730	6,473	2,874	378	67,455
<u>Accumulated Depreciation</u>					
As at 1 April 2015	(16,024)	(4,651)	-	-	(20,675)
Depreciation - annual charge	(1,483)	(585)	-	-	(2,068)
Depreciation written out to the revaluation reserve	3,051	-	-	-	3,051
Derecognition - Disposals	-	591	-	-	591
As at 31 March 2016	(14,456)	(4,645)	-	-	(19,101)
As at 31 March 2016	43,274	1,828	2,874	378	48,354
As at 31 March 2015	42,065	2,258	2,746	194	47,263

13 Property, plant and equipment (PPE)

Movements on balances in 2016/17

	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000
<u>Cost or valuation</u>					
As at 1 April 2016	57,730	6,473	2,874	378	67,455
Additions	3,102	230	518	5	3,855
Revaluation increases recognised in the Revaluation Reserve	24,113	-	-	80	24,193
Revaluation decreases recognised in the Revaluation Reserve	-	-	-	(1)	(1)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(299)	-	-	-	(299)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(9,097)	-	-	-	(9,097)
Derecognition - Disposals	-	(277)	-	-	(277)
Transfers and adjustments	(1,171)	-	360	70	(741)
As at 31 March 2017	74,378	6,426	3,752	532	85,088
<u>Accumulated Depreciation</u>					
As at 1 April 2016	(14,456)	(4,645)	-	-	(19,101)
Depreciation - annual charge	(1,064)	(285)	-	-	(1,349)
Depreciation written out to the revaluation reserve	9,803	-	-	-	9,803
Derecognition - Disposals	-	277	-	-	277
Adjustments	1	-	-	-	1
As at 31 March 2017	(5,716)	(4,653)	-	-	(10,369)
As at 31 March 2017	68,662	1,773	3,752	532	74,719
As at 31 March 2016	43,274	1,828	2,874	378	48,354

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

Capital Commitments

The Council had material capital commitments in relation to Property, Plant & Equipment as at 31st March 2017 amounting to £1,500,000.

13 Property, plant and equipment (PPE)

Effects of Changes in Estimates

In 2016/17, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head & Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of each revaluation is the date that the revaluation was produced.

14 Heritage assets

Reconciliation of the carrying amount of Heritage Assets held by the Council.	
2015/16	Civic Regalia
Cost or Valuation	£000
1st April 2015	258
Additions	-
<u>Disposals</u>	-
31st March 2016	258
2016/17	Civic Regalia
Cost or Valuation	£000
1st April 2016	258
Additions	-
<u>Disposals</u>	-
31st March 2017	258
Net Book Value	
At 31st March 2017	258
At 31st March 2016	258

Civic regalia

Items consist of the Borough of Rushmoor mace, the mayoral chains of office, badges of office for the Mayor, Mayoress, Deputy Mayor and Deputy Mayoress along with various pendants, ceramic items, ceremonial clothing, works of art and models.

Memorials and Statues

These consist of two memorials, the Heroes' Shrine in Manor Park, Aldershot & the Cockadobby war memorial, Farnborough and a sculpture of a charging horse in Princes Gardens, Aldershot.

Memorials and Statues

There were no additions in relation to memorials and statues made during 2016/17.

Intangible Heritage Assets

The Council does not have any items that meet the classification of 'intangible heritage assets'.

Heritage Assets – Five Year Summary of Transactions

Summary of Transactions Recognised in the Balance Sheet	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Cost of Acquisitions of heritage assets					
Civic Regalia					
Purchases - carrying value	221	221	221	221	221
Donations - carrying value	37	37	37	37	37
Total	258	258	258	258	258
Summary of Transactions Not Recognised in the Balance Sheet					
Civic Regalia					
Purchases - carrying value	39	39	39	39	36
Donations - carrying value	65	65	65	61	63
Total	104	104	104	100	99
Disposals of Donated Civic Regalia					
Carrying value	-	-	4	-	-
Proceeds	-	-	-	-	-

Information in respect of years prior to 1st April 2012 is not disclosed as it is not practicable to do so.

15 Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2015/16 £000	Investment Property	2016/17 £000
(1,873)	Rental income from investment property	(2,520)
505	Direct operating expenses arising from investment property	639
(1,368)	Net (gain)/loss	(1,881)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2017.

The following table summarises the movement in the fair value of investment properties over the year:

2015/16 £000	Investment Property movements in fair value	2016/17 £000
26,300	Balance at the start of the year	26,181
	- Additions	16,492
	- Transfers	688
(119)	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income & Expenditure Account	4,635
26,181	Total	47,997

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best use as advised by the valuer. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Wilkes, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

Categories of Investment Property	31st March 2017 £000
Commercial/Industrial Units	15,746
Land leased out for mixed use	8,428
Office Units	2,808
Retail use	21,015
Total of all investment properties	47,997

16 Interests in Jointly Controlled Operations

Jointly Controlled Operations

Community Safety Service

On 1st November 2012 the Council entered into a jointly controlled operation with Basingstoke and Deane Borough Council and Hart District Council to deliver a shared community safety service. Rushmoor Borough Council's element of the shared community safety service costs are included in the Business, Safety & Regulation line in the Cost of Services section of the Comprehensive Income and Expenditure Statement.

Below is a memorandum account of the financial activity of the shared community safety service from 1st April 2016 to 31st March 2017.

	Rushmoor Borough Council	Hart District Council	Basingstoke and Deane Borough Council	Total
	2016/17	2016/17	2016/17	2016/17
	£000	£000	£000	£000
Employee Related Expenditure	106	144	104	354
Premises Related Expenditure	4	-	-	4
Transport Related Expenditure	1	3	-	4
Supplies & Services	9	3	2	14
Support Services	40	-	-	40
Capital Charges	-	-	-	-
Net Project (Income) / Expenditure	(2)	12	-	10
Net Expenditure	158	162	106	426
Hosting Charge	(10)	5	5	-

The following is an extract of the Joint Community Safety Team Projects delivered on behalf of the 6 statutory agencies who work together under Section 17 of Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, The Local Authority and Fire Authority) The credit balance of funds of £64,000 as at 31st March 2017 are held as a creditor on Rushmoor Borough Council's balance sheet

Project	Balance as at 31st March 2015	2015/16 Project Income	2015/16 Project Exp	Balance as at 31st March 2016	2016/17 Project Income	2016/17 Project Exp	Balance as at 31st March 2017
	£000	£000	£000	£000	£000	£000	£000
Challenge & Change and OPS Stronghold	5	-	(3)	2	-	-	2
Anti Social Behaviour & Night Time Economy	3	-	-	3	-	-	3
NE Hants Drug & Alcohol Action Group (DAAG)	(1)	-	1	-	-	-	-
Bike Project	4	-	-	4	-	-	4
Education Programme	10	-	(4)	6	-	(1)	5
OP Moat	7	-	(5)	2	-	-	2
Victim Support	12	-	(12)	-	-	-	-
LIBOR Fund	31	-	(11)	20	-	(18)	2
Community Development	-	20	(6)	14	20	(11)	23
Domestic Violence	-	-	(11)	(11)	-	11	0
Restorative Justice	-	26	(3)	23	-	(3)	20
Victim Needs Project	-	13	-	13	-	(11)	2
Speedwatch	-	4	-	4	-	(3)	1
Other	(4)	-	2	(2)	1	1	-
	67	63	(52)	78	21	(39)	64

CCTV Service

On 1st May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service.

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Business, Safety & Regulation line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1st April 2016 to 31st March 2017.

	Rushmoor Borough Council 2016/17 £000	Hart District Council 2016/17 £000	Total 2016/17 £000
Employee Related Expenditure	137	90	227
Premises Related Expenditure	2	2	4
Supplies & Services	85	25	110
Support Services	64	-	64
Capital Charges	44	-	44
Net Expenditure	332	117	449
Hosting Charge	(14)	14	-

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service. Rushmoor Borough Council's element of the shared Building Control service costs are included in the Business, Safety and Regulation line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1st April 2016 to 31 March 2017.

	Rushmoor Borough Council 2016/17 £000	Hart District Council 2016/17 £000	Total 2016/17 £000
Employee Related Expenditure	245	203	448
Premises Related Expenditure	8	8	16
Transport Related Expenditure	3	3	6
Supplies & Services	10	8	18
Support Services	159	-	159
Net Expenditure	425	222	647
Hosting Charge	(7)	7	-
Fees & Charges	(201)	-	(201)
Other Income	(16)	-	(16)
Hart Contribution to Rushmoor*	(201)	-	(201)

The costs which Rushmoor Borough Council has incurred are split 50:50 with Hart District Council with the exception of Support Services, some Employees and Supplies & Services. As Hart District Council receive their income directly, no figures are shown for their income.

*Hart's contribution in 2016/17 was £228,000, however this is offset by the over accrual of Hart's contribution in respect of 2015/16 of £27,000.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

17 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £238,000 charged to revenue in 2016/17 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements.

Capital Commitments

The Council had no major capital commitments in respect of Intangible Assets as at 31st March 2017. The movement on Intangible Asset balances during the year is as follows:

2015/16 £000	Intangible assets	2016/17 £000
	Balance at the start of the financial year	
2,761	Gross carrying amounts	3,077
(2,091)	Accumulated amortisation	(2,305)
670	Net carrying amount at start of year	772
316	Additions purchases	128
(214)	Amortisation for the period	(238)
772	Net carrying amount at end of year	662
	Comprising:	
3,077	Gross carrying amounts	2,121
(2,305)	Accumulated amortisation	(1,459)
772	Net book value of intangible assets	662

18 Financial Instruments

The term financial instruments is used to describe arrangements that are governed by a contract and appear as assets for one of the contracting parties and liabilities for the other. It covers both financial assets and liabilities and includes debtors, creditors, the Council's borrowings, PFI liabilities and investment transactions.

The financial assets and liabilities disclosed in the Balance Sheet are analysed across a range of categories as shown below:

	Long-term		Current	
	31st March 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
Investments				
<u>Loans and Receivables</u>				
Fixed Rate Investments	2,000	-	4,016	3,023
<u>Available for Sale Financial Assets</u>				
Pooled Funds/Collective Investment Vehicles	25,563	24,715	1,167	1,113
Total investments	27,563	24,715	5,183	4,136
Debtors				
<u>Loans and Receivables</u>			Restated	
Debtors due within 1 year*	-	-	4,182	4,565
Long Term Debtors	Restated 2,753	2,337	-	-
Total Debtors	2,753	2,337	4,182	4,565
Cash and Cash Equivalents				
<u>Loans and Receivables</u>				
Short term cash deposits	-	-	6,200	4,990
Cash and Cash at Bank	-	-	623	35
Total Cash and Cash Equivalents	-	-	6,823	5,025
Borrowings				
<u>Financial liabilities at amortised cost</u>				
Bank Overdraft	-	-	26	-
Borrowing	4,121	2,143	579	12,429
Total borrowings	4,121	2,143	605	12,429
Other Long Term Liabilities				
Finance lease liabilities	-	-	-	-
Total other long term liabilities	-	-	-	-
Creditors				
Financial liabilities carried at contract amount**	-	-	3,087	4,497
Total Creditors**	-	-	3,087	4,497

* & ** ... See next page for details
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*Debtors due within 1 year excludes £451,000 in respect of Council Tax debtors, HMRC and National Non-Domestic Rates, from the total of £5,464,000 reported on the balance sheet, as these are statutory levies not falling within the definition of financial instruments. £448,000 is also excluded in respect of Payments in Advance.

**Similarly, short term creditors excludes £5,098,000 from the total of £10,438,000 reported on the balance sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £843,000 is also excluded in respect of Income in Advance.

Income, Expense, Gains and Losses - The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2015/16	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	-	-	-	-
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-
Interest income	-	157	735	892
Total income in Surplus or Deficit on the Provision of Services	-	157	735	892
Net gain/(loss) for the year	-	157	735	892

2016/17	Financial Liabilities:	Financial Assets		Total £000
	Amortised Cost £000	Loans and Receivables £000	Available for Sale £000	
Interest expense	(11)	-	-	(11)
Amortisation of investment	-	-	-	-
Exchange rate loss on derecognition	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	(11)	-	-	(11)
Interest income	-	81	672	753
Total income in Surplus or Deficit on the Provision of Services	-	81	672	753
Net gain/(loss) for the year	(11)	81	672	742

Fair Value of Financial Assets - Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans and receivables, estimated interest rates at 31st March for comparable instruments where this is material
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

An element of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the table on the following page. The valuation techniques used to measure them is also described.

31 March 2016 £000	Value of Financial Assets			31 March 2017 £000
	Input level in Fair Value Hierarchy	Recurring Fair Value Measurements	Valuation technique used to measure	
999	Level 1	Floating Rate Note	Unadjusted quoted prices in active markets	998
5,471	Level 1	Covered Fixed Bonds	Unadjusted quoted prices in active markets	4,349
20,262	Level 1	Pooled Funds	Unadjusted quoted prices in active markets	20,481
26,732	Total Fair Value of Financial Assets			25,828

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2).

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the invoiced amount.

Financial Liabilities	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities at amortised cost	7,813	7,813	19,069	19,069
Finance lease liabilities	-	-	-	-
Total Financial Liabilities	7,813	7,813	19,069	19,069

Financial Assets	31 March 2016		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	15,021	15,021	12,613	12,613
Long-term debtors	Restated 2,753	Restated 2,753	2,337	2,337
Total Financial Assets	17,774	17,774	14,950	14,950

19 Debtors

Restated

2015/16 £000	Debtors	2016/17 £000
377	Central government bodies (excluding Business Rates)	390
699	Other local authorities (excluding Precepts)	413
163	Council tax	152
424	NDR	299
3,106	Other entities and individuals	3,762
427	Payments in advance	448
5,196	Total debtors	5,464

20 Cash and Cash Equivalents

2015/16 £000	Cash and Cash Equivalents	2016/17 £000
623	Cash held by the Council	35
6,200	Short term cash deposits	4,990
(26)	Bank current accounts	-
6,797	Total Cash and Cash Equivalents	5,025

21 Short-term Borrowing

2015/16 £000	Short-term Borrowing	2016/17 £000
579	Borrowing from M3 LEP	429
-	Borrowing from Local Authorities	12,000
579	Total Short-term Borrowing	12,429

22 Creditors

2015/16 £000	Creditors	2016/17 £000
2,596	Central government bodies	4,756
1,826	Other local authorities	2,763
18	Council tax	1
423	NDR	539
2,210	Other entities and individuals	1,536
1,124	Income in advance	843
8,197	Total creditors	10,438

23 Provisions

Short term Provisions

2015/16 £000	Short term Provisions	2016/17 £000
	- Balance at 1st April	27
27	Additional provision made in the year	-
	- Payment made from the provision in the year	(27)
27	Balance at 31st March	-

The Council made payment from the provision during 2016/17 in respect of the levy required under the Scheme of Arrangement for Municipal Mutual Insurance.

Long term Provisions

2015/16 £000	Long term Provisions	2016/17 £000
1,761	Balance at 1st April	2,397
798	Additional provision made in the year	548
(162)	Amounts used in the year	(207)
2,397	Balance at 31st March	2,738

The Council had one long-term provision as at 1st April 2016 for £2.397 million in respect of Business Rate appeals, this has now further increased to £2.738 million as at 31st March 2017.

24 Other Long Term Items

2015/16 £000	Other Long Term Liabilities	2016/17 £000
43,286	Other Long Term Liabilities	48,526

2015/16 £000	Long Term Borrowing	2016/17 £000
4,121	Long Term Borrowing	2,143

25 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 14.

26 Unusable Reserves

Restated

2015/16 £000	Unusable Reserves	2016/17 £000
14,169	Revaluation Reserve	37,900
61,395	Capital Adjustment Account	79,252
194	Available for Sale Financial Instruments Reserve	468
(43,286)	Pensions Reserve	(48,526)
(515)	Collection Fund Adjustment Account	(544)
(143)	Accumulated Absences Account	(134)
31,814	Total unusable reserves	68,416

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000	Revaluation Reserve	2016/17 £000
10,717	Balance at 1st April	14,169
4,679	Upward revaluation of assets	24,192
(1,092)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
-	Other adjustments	(8)
3,587	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	24,184
(135)	Difference between fair value depreciation and historical cost depreciation	(195)
-	Adjustments to opening book value	(258)
(135)	Amount written off to the Capital Adjustment Account	(453)
14,169	Balance at 31st March	37,900

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Restated

2015/16 £000	Capital Adjustment Account	2016/17 £000
63,494	Balance at 1st April	61,395
	Amount written out of the Revaluation Reserve	
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(2,068)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,349)
(1,970)	Net revaluation gains (losses) on Property, Plant and Equipment	366
(214)	Amortisation of intangible assets	(238)
(2,134)	Revenue expenditure funded from capital under statute	(1,380)
	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(1)
(6,386)	Net of the above transactions	(2,602)
135	Adjusting amounts written out of the Revaluation Reserve	453
(6,251)	Net written out amount of the cost of non-current assets consumed in the year	(2,149)
	<u>Capital financing applied in the year:</u>	
835	Use of the Capital Receipts Reserve to finance new capital expenditure	13,505
653	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	1,316
280	Statutory provision for the financing of capital investment charged against the General Fund balances	-
1,116	Capital expenditure charged against the General Fund	550
2,884	Net of the above transactions	15,371
1,387	Draw from the capital grants unapplied reserve in relation to the 2015/16 PPA	-
(119)	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	4,635
61,395	Balance at 31st March	79,252

Available for Sale Financial Instruments Reserve

2015/16 £000	Available for Sale Financial Instruments Reserve	2016/17 £000
329	Balance at 1st April	194
431	Upward revaluation of investments	365
(566)	Downward revaluation of investments not charged to the Surplus/(Deficit) on the Provision of Services	(91)
194	Balance at 31st March	468

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000	Pensions Reserve	2016/17 £000
(45,726)	Balance at 1st April	(43,286)
3,990	Remeasurements of the net defined benefit (liability)/asset	(3,860)
(3,460)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,360)
1,910	Employer's pensions contributions and direct payments to pensioners payable in the year	1,980
(43,286)	Balance at 31st March	(48,526)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Information for the Collection Fund Adjustment Account is shown below:

2015/16 £000	Collection Fund Adjustment Account	2016/17 £000
4,929	Balance at 1st April	(515)
(5,444)	Amount by which council tax income and NDR income is (credited) or debited to the Comprehensive Income and Expenditure Statement is different from council tax income and NDR income calculated for the year in accordance with statutory requirements	(29)
(515)	Balance at 31st March	(544)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2015/16 £000	Accumulated Absences Account	2016/17 £000
(125)	Balance at 1st April	(143)
125	Settlement or cancellation of accrual made at the end of the preceding year	143
(143)	Amounts accrued at the end of the current year	(134)
(18)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9
(143)	Balance at 31st March	(134)

27 Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements

Restated

2015/16 £000	Cash Flow statement - Adjustment to net surplus or deficit on the provision of services for non cash movements	2016/17 £000
2,068	Depreciation	1,349
1,970	Impairment and downward valuations	(366)
214	Amortisation	238
710	Increase/(decrease) in bad debts	99
(10,299)	Increase/(decrease) in Creditors	2,058
(3,495)	(Increase)/decrease in Debtors	1,840
(22)	(Increase)/decrease in Interest Debtors	10
3	(Increase)/decrease in Inventories	-
1,550	Movement in pension liability	1,380
-	- Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	1
(1,023)	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,766)
(8,324)	Total adjustment of net surplus or deficit on the provision of services for non cash movements (as per page 17)	843

28 Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities

2015/16 £000	Cash Flow statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2016/17 £000
-	- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(536)
(149)	Any other items for which the cash effects are investing or financing cash flows	(186)
(149)	Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows	(722)

29 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000	Cash	2016/17 £000
1,007	Interest received	693
-	- Interest paid	(4)
1,007	Total interest received	689

30 Cash Flow Statement – Investing Activities

2015/16 £000	Cash Flow Statement – Investing Activities	2016/17 £000
(1,872)	Purchase of property, plant and equipment, investment property and intangible assets	(20,510)
(41,782)	Purchase of short-term and long-term investments	(4,000)
(73)	Other payments for investing activities	(3,130)
59	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	536
48,552	Proceeds from short-term and long-term investments	8,000
52	Other receipts from investing activities	658
4,936	Net cash flows from investing activities	(18,446)

31 Cash Flow Statement – Financing Activities

2015/16 £000	Cash Flow Statement – Financing Activities	2016/17 £000
4,700	Cash receipts of short and long term borrowing	23,000
2,501	Other receipts from financing activities	2,816
(280)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
	Repayment of short and long-term borrowing	(13,129)
(278)	Other payments for financing activities	-
6,643	Net cash flows from financing activities	12,687

32 Members' Allowances

In 2016/17 a total of £298,881 was paid out in members' allowances, compared with a total of £294,066 in 2015/16.

33 Officers' Remuneration and Termination Benefits

The remuneration paid to the Council's senior employees is as follows:

Officers' Remuneration and Termination Benefits		Salary and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2016/17	115,683	660	-	116,343
	2015/16	125,219	720	-	125,939
Corporate Director	2016/17	85,627	311	16,203	102,141
	2015/16	78,781	300	15,005	94,086
Corporate Director	2016/17	71,834	285	13,660	85,779
	2015/16	76,374	330	14,506	91,210
Head of Financial Services and Chief Finance Officer	2016/17	72,317	-	13,725	86,042
	2015/16	65,734	-	13,531	79,265

Refer to notes to this table on the following page

Notes to the Officers' Remuneration and Termination Benefits on the previous page

The rate of pension contribution to the Hampshire Pension Fund is 19.1%. This is split 13.1% of pensionable pay for individual employees plus an additional 6% relating to all scheme members.

Note 1: Chief Executive retired 28 February 2017, annualised salary of £126,200

Note 2: Corporate Director appointed as Acting Chief Executive from 01 March 2017 to 31 March 2017

Note 3: Corporate Director appointed 01 May 2016, annualised salary of £78,364

The number of employees whose remuneration (including taxable benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

The number of employees whose remuneration (including benefits but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000	2015/16	2016/17
	No of employees	No of employees
Remuneration Band		
£50,000 - £54,999	6	8
£55,000 - £59,999	5	5
£60,000 - £64,999	1	-
£65,000 - £69,999	6	4
£70,000 - £74,999	-	3
£75,000 - £79,999	3	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-

Increase in number of employees in 2016/17 whose remuneration was in excess of £85,000 was due to termination payments made as part of the Mutually Agreed Resignation Scheme

Exit Packages

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	No	No	No	No	No	No	£	£
£0-£20,000	-	2	3	4	3	6	25,640	40,964
£20,001-£40,000	-	-	1	1	1	1	32,005	28,674
£40,001-£60,000	-	-	-	1	-	1	-	44,991
Total	-	2	4	6	4	8	57,645	114,629

34 External Audit Costs

2015/16 £000	External Audit Costs	2016/17 £000
51	Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	50
11	Fees payable to Ernst and Young for the certification of grant claims and returns	8
62	Total	58

35 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

Restated

2015/16 £000	Grant Income	2016/17 £000
	<u>Credited to Taxation and Non Specific Grant Income & Expenditure</u>	
1,756	Revenue Support Grant	1,104
1,696	New Homes Bonus	1,994
520	Section 31 Grants in Relation to Business Rates	326
3,150	Capital Grants & Contributions	475
161	New Burden Grant	109
60	Council Tax Freeze Grant	-
-	- Transition Grant	40
7	Top Up Grant	5
-	- Council Tax Discount for Family Annexes	3
7,350	Total	4,056
	<u>Credited to Services</u>	
	Communities and Local Government	
79	Localising Council Tax Admin Subsidy	88
-	- Other	1
	Department for Works and Pensions	
36,897	Housing Benefit Subsidy	36,425
430	Housing Benefit Admin Subsidy	353
125	Discretionary Housing Payment	168
50	Flexible Support Fund Grant (Skilled Up)	-
31	Other	58
41	Cabinet Office	25
867	Developers Contributions	689
	Hampshire County Council	
425	Better Care Fund	816
21	Public Health Grant	-
13	Contribution for other projects	-
	Other Grants and Contributions	
32	Contributions for other projects	16
49	Big Lottery Fund Grant	-
34	Local & Parliamentary Elections contributions	16
-	- Armed Forces Community Covenant	13
(14)	Developing Our Communities contribution for specific projects	-
4	Supported through Big Local, administered by Local Trust for the Big Lottery Fund	4
39,084	Total	38,672

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at year-end are shown in the table on the following page:

31st March 2016 £000	The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them		31st March 2017 £000
2,238	S 106/grants	Developer's contributions & capital grants	2,363
52	Creditor	Armed Forces Community Covenant	39
2,290	Total		2,402

36 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2016/17, the Council provided financial assistance to 112 organisations by way of direct grant payments (£754,606) and awards of rent relief (£215,421).

Within the Business Rates Retention Scheme, rate relief of (£687,214) has been awarded to charitable and not for profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the 112 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Rushmoor Citizens Advice	305,779
Places for People Leisure Ltd	264,404
Farnborough and Cove War Memorial Hospital Trust	120,398
Rushmoor Voluntary Services	96,002
Step by Step	77,146
British Heart Foundation	58,646
Basingstoke Canal Management Committee	42,246
Trustees of Farnborough Community Centre Association	37,668
Dial a Ride	33,561

Central Government - Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 34.

Members - Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 31. During 2016/17, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £937,723 was awarded to voluntary organisations in which 27 members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers - Chief Officers have not disclosed any material transactions with related parties.

37 Capital Expenditure and Capital Financing

As at 31st March 2017 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £6.548m. Total capital expenditure in 2016/17 was £21.919 million. of which £1.378m was revenue expenditure funded from capital under statute. An amount of £13.505m was drawn from available capital receipts and government grants and contributions amounted to £1.316m. A summary of this expenditure and how it was financed is shown below.

Restated

2015/16 £000	Capital Expenditure and Capital Financing	2016/17 £000
-	Opening Capital Financing Requirement	-
	<u>Capital Investment</u>	
	- Loan to external body	65
1,541	Property, Plant and Equipment	3,855
	- Investment Property	16,492
316	Intangible Assets	129
2,134	Revenue Expenditure Funded from Capital under Statute	1,378
3,991	Total capital investment	21,919
	<u>Sources of Finance</u>	
(835)	Capital receipts	(13,505)
(653)	Government grants and other contributions	(1,316)
(1,116)	Direct revenue contributions	(550)
(2,604)	Total sources of finance applied	(15,371)
(1,387)	Repayment of outstanding capital financing related to external contribution	-
	- Closing capital financing requirement	6,548
	<u>Explanation of movements in year</u>	
	- Increase in underlying need to borrowing (unsupported by government financial assistance)	6,548
	- Increase/(decrease) in Capital Financing Requirement	6,548

The Council had a material commitment in relation to capital expenditure as at 31st March 2017 amounting to £4,435,000 in relation to making a loan to Farnborough International.

38 Leases

Council as Lessor
Operating Leases

The Council leases out property under operating leases for the following purposes:

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2015/16 £000	Leases	2016/17 £000
2,190	Not later than one year	2,878
7,919	Later than one year and not later than five years	10,384
89,062	Later than five years	92,107
99,171	Total	105,369

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, contingent rents of £823 were receivable by the Council (£1,973 in 2015/16).

39 Impairment Losses

The Council has employed a specialist company of Chartered Surveyors for the valuation of individual capital assets and groups of capital assets. As part of this review minor impairment losses of £0.341 million were identified and were offset against previous valuation gains for individual assets.

40 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post employment benefits

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Cost of Services:				
Service cost comprising:				
· current service cost	1.92	2.02	-	-
· past service costs	-	-	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.29	1.29	0.15	0.15
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3.21	3.31	0.15	0.15
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	(13.77)	1.30	-	-
Actuarial gains and losses arising on changes in financial assumptions	24.18	(3.97)	0.40	(0.09)
Actuarial gains and losses arising on changes in demographic assumptions	(1.40)	-	(0.11)	-
Actuarial gains and losses arising from liability experience	(5.22)	(1.15)	(0.22)	(0.08)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	7.00	(0.51)	0.22	(0.02)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3.21)	(3.31)	(0.15)	(0.15)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	1.69	1.61		
Retirement benefits payable to pensioners			0.29	0.30

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Present value of the defined benefit obligation	132.45	112.59	4.47	4.54
Fair value of plan assets	88.39	73.84	-	-
Net liability arising from defined benefit obligations	44.06	38.75	4.47	4.54

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Opening fair value of scheme assets	73.84	74.31	-	-
Interest income	2.48	2.35	-	-
Remeasurement gain/(loss) on assets	13.77	(1.30)	-	-
Contributions from employer	1.69	1.61	0.29	0.30
Contributions from employees into the scheme	0.61	0.60	-	-
Net Benefits paid	(4.00)	(3.73)	(0.29)	(0.30)
Closing balance at 31st March	88.39	73.84	-	-

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £M	2015/16 £M	2016/17 £M	2015/16 £M
Opening balance at 1st April	112.59	115.18	4.54	4.86
Current service cost	1.92	2.02	-	-
Interest cost	3.77	3.64	0.15	0.15
Contributions by scheme participants	0.61	0.60	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	24.18	(3.97)	0.40	(0.09)
Actuarial gains and losses arising from changes in demographic assumptions	(1.40)	-	(0.11)	-
Actuarial gains and losses arising from changes due to liability experience	(5.22)	(1.15)	(0.22)	(0.08)
Net Benefits paid	(4.00)	(3.73)	(0.29)	(0.30)
Past service costs		-	-	-
Closing balance at 31st March	132.45	112.59	4.47	4.54

The re-measurement gain on the net defined benefit liability is comprised of:

- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

The actual return on scheme assets in the year was £16.25 million (2015/16: £1.05 million).

Scheme history

	31st March 2017 £000	31st March 2016 £000	31st March 2015 £000
Present value of liabilities:			
Local Government Pension Scheme	132,450	(112,590)	(115,180)
Discretionary Benefits	4,470	(4,540)	(4,860)
Fair value of assets in the Local Government Pension Scheme	88,390	73,840	74,310
Surplus/(deficit) in the scheme:			
Local Government Pension Scheme	(44,060)	(38,750)	(40,870)
Discretionary Benefits	(4,470)	(4,540)	(4,860)
Total Surplus/(Deficit) in the Scheme	(48,530)	(43,290)	(45,730)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £48.53 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2017 is £1.87 million.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

Financial Assumptions:	31st March 2017 %	31st March 2016 %	31st March 2015 %
Rate of inflation (RPI)	3.10	2.90	2.90
Rate of inflation (CPI)	2.00	1.80	1.80
Rate of increase in salaries	3.50	3.30	3.30
Rate of increase to pensions in payment	2.00	1.80	1.80
Rate of increase to deferred pensions	2.00	1.80	1.80
Rate for discounting scheme liabilities	2.50	3.40	3.20
Pension accounts revaluation rate	2.00	1.80	1.80

Mortality assumptions:	31st March 2017 Years	31st March 2016 Years	31st March 2015 Years
Longevity at 65 for current pensioners:			
Men	24.0	24.6	24.5
Women	27.0	26.4	26.3
Longevity at 65 for future pensioners:			
Men	26.0	26.7	26.6
Women	29.3	28.7	28.6

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31st March 2017 %	31st March 2016 %	31st March 2015 %
Equities	60.3	56.3	57.8
Property	6.5	8.2	8.0
Government Bonds	25.2	25.7	25.4
Corporate Bonds	1.4	2.1	1.6
Cash	3.4	4.7	3.7
Other assets	3.2	3.0	3.5
	100.0	100.0	100.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in Assumption £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or - 0.1% pa)	(2.32)	2.36
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.43	(0.42)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	1.93	(1.90)
Post retirement mortality assumption (increase or decrease by 1 year)	3.90	(3.89)

41 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the Council might renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Council in the Annual Treasury Management Strategy. This Strategy is drawn up in compliance with CIPFA's Code of Practice for Treasury Management in the Public Services and with the Prudential Code for Capital Finance in Local Authorities. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs) which are periodically reviewed.

Actual treasury management performance is reported to Members bi-annually and benchmarked against a number of other Local Authorities.

The Annual Treasury Management Strategy for 2016/17 and the Prudential Indicators for Capital Finance were approved by Council on the 25th February 2016 and are available on the Council's website.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested, and a maximum length of investment, with a financial institution located within each category, or with a particular type of counterparty. It also specifies a maximum percentage of the total portfolio that may be invested with each type of counterparty. Details of the Investment Strategy can be found within the Annual Treasury Management Strategy for 2016/17 on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

		Amount at 31st March 2017	Historical experience of default	Historical experience adjusted for market conditions 31st March 2017	Estimated maximum exposure 31st March 2017	Estimated maximum exposure 31st March 2017
		£000 (A)	% (B)	% (C)	£000 (A x C)	£000 (A x C)
Cash and Cash Equivalents	AAA rated	5,025	-	-	-	-
Long Term Debtors		130	-	-	-	-
Trade Debtors		4,565	0.70	0.70	32	26
		9,720			32	26

No breaches of the Council’s counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it’s counterparties in relation to its deposits.

The Council does not generally allow credit for customers, such that £1.8 million of the £4.6 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

The past due amount can be analysed by age	31st March 2016 £000	31st March 2017 £000
Less than two months	191	1,168
Two to six months	377	121
Six months to one year	207	251
More than one year	358	307
Total	1,133	1,847

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council incurred some long-term borrowing in 2016/17, analysis for which is detailed below. The maturity analysis of its financial assets is as follows:

Maturity Analysis of Financial Assets	Restated	
	31st March 2016 £000	31st March 2017 £000
Less than one year	12,015	9,161
Between one and two years	3,452	4,781
Between two and three years	4,869	460
More than three years	21,988	21,811
Total	42,324	36,213

Trade debtors of £4.6 million are not included in the above table.

Analysis of Financial Liabilities	31st March	
	2016 £000	2017 £000
Less than one year	579	12,429
Between one and two years	678	429
Between two and three years	804	429
More than three years	2,639	1,285
Total	4,700	14,572

Market risks

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	103
Impact on Surplus or Deficit on the Provision of Services	103

The impact of a 1% fall in interest rates cannot be provided as the base rate prevailing throughout the year 2016/17 was historically low, and allowance for a full 1% reduction would be economically impossible in the circumstances of the year.

Price risk

The Council has no equity shares or shareholdings and therefore has no exposure to loss arising from movements in share prices.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus had no exposure to loss arising from movements in exchange rates in 2016/17.

42 Contingent Liabilities

Local Land Charges - A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council has settled some costs in 2015/16 and prior years. There remains the potential for new claimants to come forward but the value of the liability is unknown.

43 Prior Period adjustment notes

Information tables presented in the 2016/17 providing comparative amounts in relation to 2015/16 are labelled "Restated". The prior period adjustment described above affects the following tables:

	Note Number	Page No
Movement in Reserves Statement	Core Statements	14
Comprehensive Income and Expenditure Statement	Core Statements	15
Balance Sheet	Core Statements	16
Cash Flow Statement	Core Statements	17
Expenditure and Funding Analysis	3	31
Financial Instruments	18	48
Debtors	19	51
Unusable Reserves	26	53
Capital Adjustment Account	26	54
Grant Income	35	60
Maturity Analysis of Financial Assets	41	70

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

2015/16 £000	Collection Fund Income and Expenditure Account	2016/17		
		£000	£000	£000
		Council Tax	NDR	Total
	Income			
43,837	Income from Council Tax payers	45,954		45,954
46,036	Income from Non Domestic Rate payers		47,849	47,849
89,873		45,954	47,849	93,803
	Expenditure			
	Precepts			
30,879	Hampshire County Council	32,565		32,565
4,681	Police & Crime Commissioner for Hampshire	4,842		4,842
1,826	Hampshire Fire and Rescue	1,889		1,889
5,476	Rushmoor Borough Council	5,664		5,664
	Business rates:			
126	Allowance for collection		122	122
4,190	Payments to Hampshire County Council		4,279	4,279
466	Payments to Hampshire Fire and Rescue Authority		475	475
18,620	Payments to Rushmoor Borough Council		19,018	19,018
23,275	Payments to Government		23,772	23,772
	Provision for bad and doubtful debts			
268	Council Tax	358		358
335	NDR		273	273
1,589	Provision for NDR appeals		852	852
	Collection fund surplus/deficit			
1,169	Council Tax	710		710
10,886	NDR		(902)	(902)
103,786		46,028	47,889	93,917
13,913	Net Movement in Fund	74	40	114
(13,869)	Balance b/fwd 1 April	(1,820)	1,864	44
44	Balance c/fwd 31st March (surplus)/deficit	(1,746)	1,904	158
	The (surplus)/deficit as at 31st March allocated to:			
(1,147)	Hampshire County Council	(1,269)	171	(1,098)
(197)	Police & Crime Commissioner for Hampshire	(187)	-	(187)
(59)	Hampshire Fire and Rescue	(72)	19	(53)
515	Rushmoor Borough Council	(218)	762	544
932	Government	-	952	952
44		(1,746)	1,904	158
Page 96				

Notes to the Collection Fund

1. Council Tax

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (30,172.66 for 2016/17). This basic amount of Council Tax for a Band D property (£1,490.07 for 2016/17) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	777	6/9	518
B	5,521	7/9	4,294
C	11,962	8/9	10,632
D	6,788	1	6,787
E	3,400	11/9	4,156
F	1,071	13/9	1,547
G	279	15/9	465
H	5	18/9	10
O (Army)	1,764	-	1,764
Total			30,173

2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31 March 2017 is £108,156,558 and the national non-domestic multiplier was 49.7p. This gives a potential business yield of £53.8 million. The actual business rates collectable for 2016/17 after reliefs is £47.8 million. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund. This provision for 2016/17 has been increased from £6.0 million to £6.8 million, due to the number and value of appeals to be agreed.

3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund

2015/16 £000	Collection Fund - Provisions for bad or doubtful debts	2016/17 £000
	<u>Council Tax</u>	
783	Provisions at 1st April	970
268	Provisions made in year	358
(81)	Written off in year	(109)
970	Provisions at 31st March	1,219
	<u>NDR</u>	
553	Provisions at 1st April	764
335	Provisions made in year	272
(124)	Written off in year	(259)
764	Provisions at 31st March	777
	<u>NDR Valuation Appeals</u>	
4,404	Provisions at 1st April	5,993
1,589	Provisions made in year	851
5,993	Provisions at 31st March	6,844

Glossary of Terms

Assets Held For Sale

An asset is classified as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through usage.

Billing Authority

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

The proceeds from the disposal of land or other assets.

Collection Fund

A Statutory Fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Current Assets

Assets which may change in value on a day to day basis

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Heritage Assets

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights e.g. software licenses.

Inventories

Materials or supplies unused and held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Joint Ventures

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year.

Long Term Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Non-Distributed Cost

These are overheads for which no user now benefits and should not be apportioned to services.

Operating Leases

A lease other than a finance lease.

Provisions

Amounts set aside for expenditure in a future financial period as a result of an obligation arising from a past event. The obligation must be expected to result in a payment that can be reasonably estimated.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Reserves

These are amounts set aside for specific purposes where there is no certainty about the level and timing of expenditure.

Revenue Expenditure

The operating costs incurred by the Council during the financial year in providing its day to day services.

Revenue Support Grant

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the Council tax would be the same across the country.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Council Offices,
Farnborough Road,
Farnborough,
Hants, GU14 7JU

www.rushmoor.gov.uk
01252 398 399
customerservices@rushmoor.gov.uk

 @rushmoorcouncil
 Rushmoor Borough Council
June 2017

AGENDA ITEM NO. 4

LICENSING & GENERAL PURPOSES
COMMITTEE
26 JUNE 2017

HEAD OF FINANCIAL SERVICES
REPORT NO. FIN1724

**TREASURY MANAGEMENT OPERATIONS 2016/17 AND
REVISIONS TO THE 2017/18 INDICATORS**

SUMMARY:

Treasury management operations for 2016/17 are presented in accordance with strategic requirements. All treasury management activity during 2016/17 was carried out in accordance with the Annual Treasury Management Strategy and complied with the treasury and prudential indicators set out in that report, and with the Treasury Management Code of Practice. A review of the treasury management practices and schedules has also been carried out.

This report also details a requirement for an increase in the Councils' capital programme for the year 2017/18 in order to facilitate the potential for revenue gains for the current and future years. The increase in capital budget allocation is significant requiring approval for changes to the prudential indicators in relation to the treasury management strategy for 2017/18.

RECOMMENDATIONS:

Members are requested to:

- (i) Note the contents of this report in relation to the treasury management operations carried out during 2016/17 and
- (ii) Recommend to Cabinet the updated treasury management practices and the revised prudential indicators for 2017/18.

1 INTRODUCTION

- 1.1 There are three core elements within this report:
- (a) Presentation of the Treasury Management operations for 2016/17
 - (b) A review of the treasury management practices and schedules
 - (c) A proposal for an increase to the capital budget for 2017/18 requiring a revision to the prudential indicators for capital financing for 2017/18

2 TREASURY MANAGEMENT OPERATIONS FOR 2016/17

- 2.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("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 Council has invested substantial sums of money and is therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This section of the report covers treasury activity and the associated monitoring and control of risk.
- 2.3 Full Council originally approved the Annual Treasury Management Strategy for 2016/17 on 23 February 2016. However, subsequent substantial capital budget additions were approved during the financial year 2016/17, mainly in relation to the acquisition of income yielding investment properties. These additional capital budgets approved for 2016/17 had a fundamental effect on the Council's prudential indicators and Full Council on 23 February 2017 approved revisions to the 2016/17 prudential indicators within the Annual Treasury Management Strategy for 2017/18.
- 2.4 Appendix A shows the actual prudential indicators relating to treasury activities and capital financing for 2016/17 and compares these to the indicators set in the Annual Treasury Management Strategy for the year 2016/17.

Treasury Management Advice

- 2.5 The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2016/17. 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.
- 2.6 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.
- 2.7 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.
- 2.8 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 2016/17, staff attended relevant workshops provided by Arlingclose and other service providers.

Economic Background

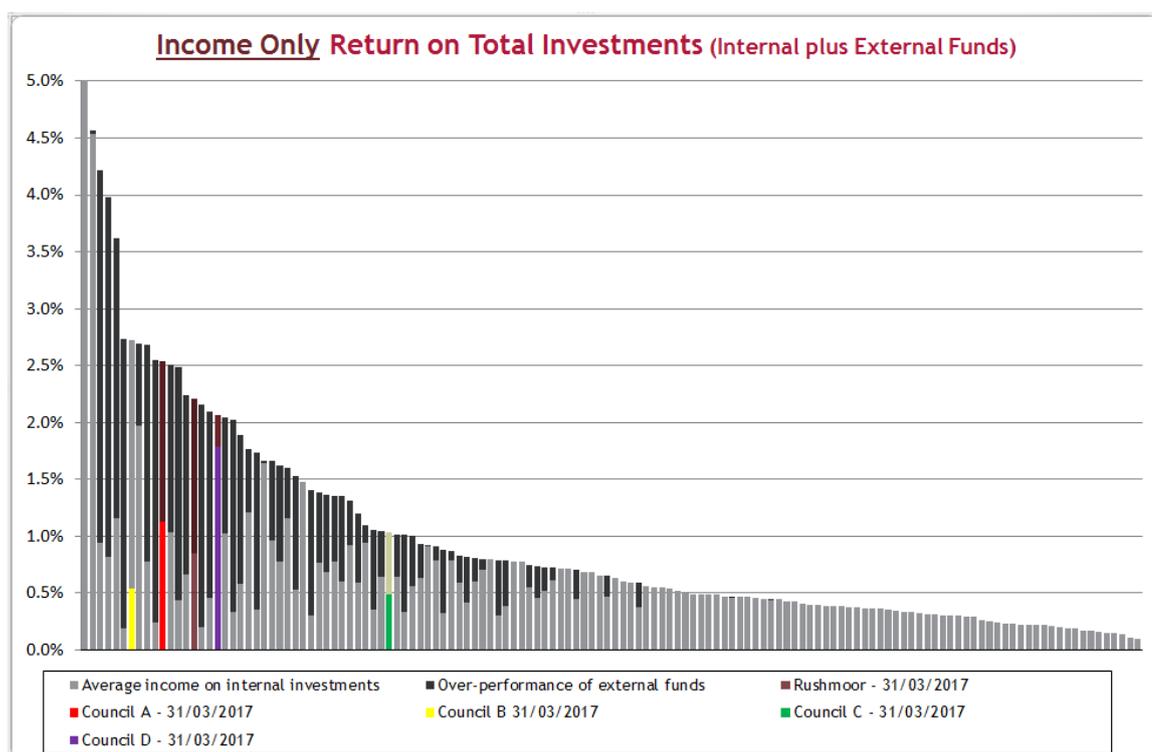
- 2.9 The Council's treasury management advisors have provided commentary on the economic background that prevailed during the year 2016/17. This commentary is provided at Appendix B.

Borrowing Activity in 2016/17

- 2.10 The Council commenced the financial year 2016/17 carrying £4.7m of borrowing obtained from the Enterprise M3 Local Enterprise Partnership (EM3). This sum was advanced in order to assist the temporary financing of some specific capital projects.
- 2.11 During 2016/17, an amount of £1.7 million was repaid to EM3 as capital expenditure related to an element of the total amount borrowed was considered unlikely to proceed. In addition, a further £0.4 million was also repaid to EM3 in accordance with the pre-agreed repayment schedule. The Council raised an additional £12 million short-term borrowing towards the end of the financial year. The need for this additional borrowing was in relation to an approved in-year increase in capital expenditure. Total borrowing therefore amounted to £14.6 million at 31st March 2017.

Investment Activity in 2016/17

- 2.12 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The total income yield return on the Council's investments amounted to 2.2% for the financial year 2016/17 excluding capital gains and losses.
- 2.13 The following graph has been produced by Arlingclose and shows the Council's 2016/17 return on its total investment portfolio excluding capital gains and losses. The Council ranks well when benchmarked against their other local authority clients. Highlighted on the graph are four other non-metropolitan districts with a similar size portfolio to Rushmoor showing returns for two authorities marginally higher and two authorities lower (one of which is at or just below 1%):

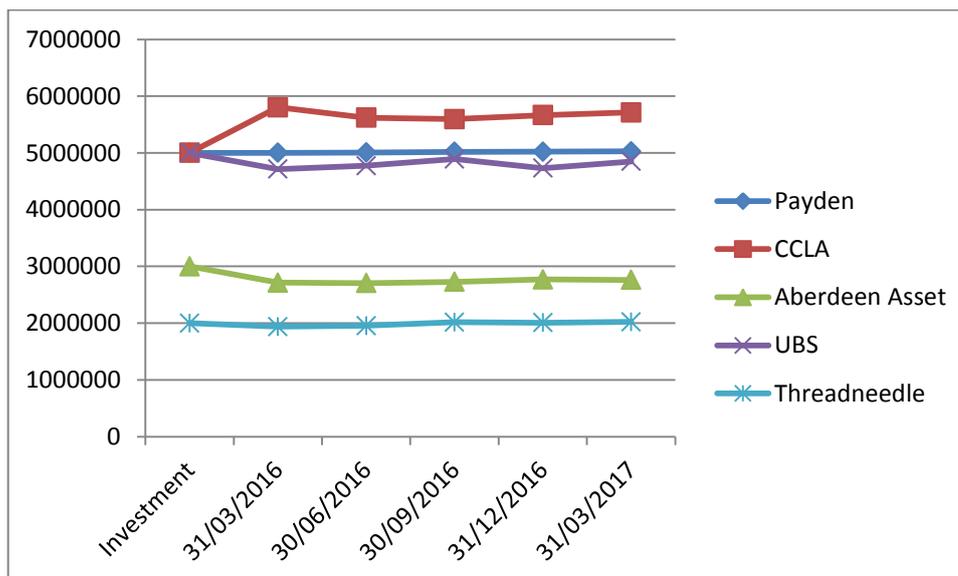


2.14 The rate of return has been calculated as (1) External pooled funds (income return for the past year, (2) Other investments (effective rate of investments held at the end of the financial year. It should be noted that it is a “snapshot“of returns for the year. For 2016/17 the Council continued to use secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits. Details of the Council’s investment activity together with returns generated during 2016/17 are outlined as follows:

2.15 **Pooled Funds** – the Council’s pooled funds have continued to experience some variations in performance during the year 2016/17.

Pooled Funds Capital Growth/Losses – Aggregation of the Council’s pooled funds resulted in an overall net increase in fair value for the year 2016/17 of around £274,000, although this net increase is relatively modest compared to the overall investment sum (an aggregate increase of 1.4%). The significant exceptions within this group are CCLA showing exceptional growth of 14% since acquisition, but offset by a capital reductions for the UBS Multi Asset Fund which has declined by 3% since acquisition and Aberdeen which has declined by 7% since acquisition. This group of investments are long term (3-5 year window) and monitoring of the capital value continues to be made on a monthly basis.

Movement in capital value of pooled funds during 2016/17



Pooled Fund Income Returns – The income returned by fund for the period to 31st March 2017 is analysed below:

- Payden & Rygel’s Sterling Reserve Fund - £5 million investment. The Fund seeks to provide capital security, liquidity and income through investment in Sterling denominated investment-grade debt securities.

Investment Counterparty	Balance on 31/03/16 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/17 £m	Avg Rate % and Avg Life (yrs)
<i>UK Local Authorities</i>	2.0	-	-	2.0	1.0% - 2 years
<i>UK Banks and Building Societies:</i>					
Short-term	3.0	-	(3.0)	-	-
Long-term	-	-	-	-	-
<i>Foreign Banks</i>	2.0	-	(2.0)	-	-
<i>Covered Bonds/Floating Rate Notes</i>	6.6	1.0	(1.1)	6.5	(1.05%-1.47%)& LIBOR+0.27bp - 1.3 Yrs
<i>AAA-rated Money Market Funds</i>	5.2	-	(0.2)	5.0	Varies daily – average 0.42%
<i>Pooled Funds:</i>					
• <i>Payden</i>	5.0	-	-	5.0	0.84
• <i>CCLA</i>	5.0	-	-	5.0	4.86
• <i>Aberdeen Absolute</i>	3.0	-	-	3.0	2.23
• <i>UBS</i>	5.0	-	-	5.0	3.72
• <i>Threadneedle</i>	2.0	-	-	2.0	4.32
TOTAL INVESTMENTS	38.8	1.0	(6.3)	33.5	
<i>Increase/ (Decrease) in Investments £m</i>				(5.3)	

Additional information in relation to the above investments is contained in Appendix C.

2.19 The following charts illustrate the spread of investments by counterparty and maturity analysis. These illustrate continued diversity within the Council's portfolio:

Maturity Analysis as at 31st March 2017	Amount invested £m	%
Instant *	5.0	15
0-3 months	1.0	3
3-6 months	2.0	6
6-9 months	-	-
9-12 months	1.0	3
> 1 year	24.5	73
Total for all duration periods	33.5	100

* Instant refers to the use of Money Market Funds

3 TREASURY MANAGEMENT INDICATORS

- 3.1 The Treasury Management Code requires that local authorities set a number of indicators for treasury management performance. The Council has also adopted a voluntary measure for credit risk as set out in paragraphs 3.2 to 3.4.
- 3.2 Credit Risk (Credit Score Analysis): Counterparty credit quality is assessed and monitored by reference to credit ratings. Credit ratings are supplied by rating agencies Fitch, Standard & Poor's and Moody's. Arlingclose assign values between 1 and 26 to credit ratings in the range AAA to D, with AAA being the highest credit quality (1) and D being the lowest (26). Lower scores mean better credit quality and less risk.
- 3.3 The advice from Arlingclose is to aim for an A-, or higher, average credit rating, with an average score of 7 or lower. This reflects the current investment approach with its focus on security. The scores are weighted according to the size of our deposits (value-weighted average) and the maturity of the deposits (time-weighted average).
- 3.4 The table below summarises the Council's internal investment credit score for deposits during the year to 31st March 2017. The Council's scores fall comfortably within the suggested credit parameters. This represents good credit quality deposits on the grounds of both size and maturity. The improved credit risk scores during the year reflect the increasing diversity within the Council's investment portfolio.

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
Q4 2015/16	3.02	AA-	1.50	AAA
Q1 2016/17	4.74	A+	5.45	A+
Q2 2016/17	2.88	AA	1.57	AA+
Q3 2016/17	2.91	AA	1.38	AAA
Q4 2016/17	2.97	AA	1.21	AAA

- 3.5 **Interest Rate Exposure:** This indicator is set to monitor the Council's exposure to the effects of changes in interest rates. The indicator calculates the relationship between the Council's net principal sum outstanding on its borrowing to the minimum amount it has available to invest. The upper limits on fixed and variable rate interest rate exposures expressed as the amount of net principal borrowed is:

	2016/17 Approved Limit	2016/17 Actual
Upper limit on fixed interest rate exposure	£6m	£6m
Upper limit on variable interest rate exposure	-£27m	-£25m

- 3.6 **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 fixed rate borrowing will be:

	Upper	Lower	2016/17 Actual Performance
Under 12 months	100%	0%	85%
12 months and within 24 months	100%	0%	3%
24 months and within 5 years	100%	0%	9%
5 years and within 10 years	100%	0%	3%
10 years and above	100%	0%	-

The Council borrowed £4.7m from the Enterprise M3 Local Enterprise Partnership in the previous financial year (2015/16). During 2016/17 the EM3 LEP was repaid £2.129m of the original sum. Additionally, the Council raised an additional £12 million short-term borrowing towards the end of the financial year. The need for this additional borrowing was in relation to an approved increase in capital expenditure examined in a later section of this report. Total borrowing therefore amounted to £14.6 million at 31st March 2017. The above table demonstrates the elements of principal repayment that arise from the sum borrowed expressed as a percentage of the original amount borrowed.

- 3.7 **Principal Sums Invested for Periods Longer than 364 days:** 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. Performance against the limits on the total principal sum invested to final maturities beyond the period end is:

	2016/17 Approved Limit	2016/17 Actual Performance
Limit on principal invested beyond year end at any one time	£40m	£24m

- 3.8 The Council's revised estimates regarding investment yields and costs compared to the actual outturn for 2016/17 is shown in the table below.

Budgeted income and outturn	Revised Estimate 2016/17 £000	Actual 2016/17 £000	Variance £000
Interest receivable	(782)	(751)	31
Interest Payable	13	11	(2)
Net Amount	(769)	(740)	29

4 CONCLUSIONS ON THE TREASURY MANAGEMENT OPERATIONS 2016/17

- 4.1 The Council's treasury team continued to concentrate on the security of investments taking due regard for the returns available. Continued low interest rates throughout the financial year coupled with a lack of suitable counterparties with whom to invest continued to make the activity challenging. However, overall investment income still managed to produce a buoyant return to the General Fund revenue account.
- 4.2 All treasury management activity during 2016/17 was carried out in accordance with the Annual Treasury Management Strategy and complied with the treasury and prudential indicators set out in that report, and with the Treasury Management Code of Practice

5 TREASURY MANAGEMENT PRINCIPLES AND SCHEDULES

- 5.1 Full Council approved the Annual Treasury Management Strategy for 2017/18 on 23 February 2017. In addition to that approval the CIPFA code requires the setting out of responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.
- 5.2 One of the recommendations of the Code is for the creation and maintenance of Treasury Management Practices that incorporate the Principles & Schedules that achieve treasury management policies and objectives. These prescribe how the Council will manage and control those activities. A review of these Principles & Schedules has been recently undertaken and is attached as Appendix D.

6 INCREASE IN CAPITAL BUDGET ALLOCATION FOR THE YEAR 2017/18

- 6.1 The Council undertook a succession of approved capital acquisitions in relation to investment properties during the previous financial year 2016/17, driven by an aim to furnish revenue returns contained within Part 3 of the Council's 8 Point Plan. These approved 2016/17 investment property acquisitions amounted to around £17m. They generate significant revenue gains to the General Fund revenue account from the point of acquisition and into the future. In order to finance these acquisitions and some other capital expenditure in the year a significant proportion of the Council's capital receipts was utilised for the purposes of financing the capital programme for that year.
- 6.2 Additional acquisition of similar investment properties is feasible for the current year as market conditions continue to support this process. In order to provide a suitable framework for the Council's staff to assess and negotiate investment property acquisitions, it is considered appropriate for the Council to approve a supplementary capital budget of £15m for the current financial year (2017/18). Approval of this capital budget will enhance

the decision making process which needs to be undertaken with a degree of expediency when considering such matters.

- 6.3 The Council commenced the current financial year with £5.9m of capital receipts. However, all of this available capital receipt resource is held ready to finance the remainder of the approved capital loan to Farnborough International, the ongoing flexible capital receipts initiative and a range of shorter life non-current assets. Hence, the method of capital financing for the proposed additional capital budget of £15m in relation to the acquisition of investment properties can only be achieved by prudential code borrowing.
- 6.4 On the assumption that all acquisitions would have life duration of at least 50 years, then the Council would bear Minimum Revenue Provision (MRP) of 2% each year commencing in the following financial year (2018/19). Current short-term interest rates are around 0.5% and the Council could currently obtain 50 year long-term borrowing for around 2.4%. All tenant rentals would be on a “repairing lease” standing. The potential revenue returns to the Council in a full financial year (costed at 2017/18 price base) is provided in the following table.

Capital budget for potential investment properties	Potential income return(s)	MRP	Short-term interest	Long-term interest	Yearly gains applying short-term interest rate	Yearly gains applying long-term interest rate
15,000	(825)	300	75	360	(450)	(165)
All amounts are expressed in £000						

- 6.5 It is stressed that the above table of estimated revenue costs/gains in a full financial year is based on current short & long-term interest rate opportunities available to the Council. The table is therefore currently representative of the potential revenue effect.
- 6.6 A variation to the capital programme in 2017/18 of £15m is proposed, with delegation to Cabinet to draw down on this budget for suitable commercial property acquisitions. The significance of the proposed capital budget and use of borrowing therefore requires a reappraisal of the prudential and indicators contained within the treasury management strategy for 2017/18. These revised indicators are reported in Appendix E.

Contact Details:
 Amanda Fahey
 Head of Financial Services
 01252 398440
 Amanda.Fahey@Rushmoor.gov.uk

PRUDENTIAL INDICATORS

APPENDIX A

Comparative information for 2017/18 and future years is provided in Appendix E

1.1 Prudential Indicators

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016/17 Revised £m	2016/17 Actual £m
General Fund	27.547	21.919
Total Expenditure	27.547	21.919
Capital Grants & Contributions	2.843	1.316
Revenue	0.728	0.550
Capital Receipts	11.447	13.505
Borrowing	12.507	6.548
Total Financing	27.547	21.919

Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Revised £m	31.03.17 Actual £m
General Fund	3.000	1.387
Total CFR	3.000	1.387

During 2015/16, the Council made use of a revolving infrastructure fund from the Local Enterprise Partnership (EM3 LEP). This will not give rise to any minimum revenue provision charges into the General Fund as the annual instalments will be funded from capital receipts received from the developer.

The Council therefore now carried a capital financing requirement within the terms of the Prudential Code.

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.

Debt	31.03.17 Revised £m	31.03.17 Actual £m
Borrowing	0.000	4.700
Total Debt	0.000	4.700

The information above refers to the use of a revolving infrastructure fund from the Local Enterprise Partnership (EM3 LEP).

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2016/17 Revised £m	2016/17 Actual £m
Borrowing	20.0	14.6
Other long-term liabilities	-	-
Total Debt	20.0	14.6

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016/17 Revised £m	2016/17 Actual £m
Borrowing	10.0	4.7
Other long-term liabilities	0.0	0.0
Total Debt	10.0	4.7

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

Ratio of Financing Costs to Net Revenue Stream	2016/17 Revised %	2016/17 Actual %
General Fund	-7.5	-8.0

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

Incremental Impact of Capital Investment Decisions	2016/17 Revised £	2016/17 Actual £
General Fund - increase in annual band D Council Tax	-	-

Adoption of the CIPFA Treasury Management Code: The prudential indicator in respect of treasury management is that the Council adopt CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, with recognition of the existing structure of the Council's borrowing and investment portfolios. The revised edition of the Code (November 2011) was adopted by the Council on 20th February 2014.

APPENDIX B

Market commentary regarding the year 2016/17 from the Council's treasury management advisors Arlingclose

External Context

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March. Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome. None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

						Appendix C					
RUSHMOOR BOROUGH COUNCIL - INVESTMENTS OPENING/CLOSING IN 2016/17											
<u>31 03 2016</u>						<u>31 03 2017</u>					
£m	£1m	£2m	£3m	£4m	£5m	£1m	£2m	£3m	£4m	£5m	£m
<u>UK Local Authorities</u>											
2.0											2.0
<u>UK Banks and Building Societies (Short Term)</u>											
1.0											
2.0											
<u>Foreign banks</u>											
1.0											
1.0											
<u>Covered Bonds/Floating Rate Notes</u>											
1.0											1.0
2.2											2.2
2.3											2.3
1.1											
											1.0
<u>AAA-Rated Money Market Funds</u>											
0.1											0.1
1.0											1.5
2.0											1.6
2.1											1.8
<u>Pooled Funds</u>											
5.0											5.0
3.0											3.0
5.0											5.0
5.0											5.0
2.0											2.0
38.8											33.5

APPENDIX D

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES

Introduction:

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in November 2011. The Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This Council had adopted the original Code and has similarly adopted the revised 2011 Code in February 2017 within the body of the Treasury Management Strategy Statement 2017/18 approved by Full Council. The Code recommends the creation and maintenance of:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities

- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Treasury Management Practices (TMPs) comprise:

- TMP 1: Risk management
- TMP 2: Performance measurement
- TMP 3: Decision-making and analysis
- TMP 4: Approved instruments, methods and techniques
- TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements
- TMP 6: Reporting requirements and management information arrangements
- TMP 7: Budgeting, accounting and audit arrangements
- TMP 8: Cash and cash flow management
- TMP 9: Money laundering
- TMP 10: Training and qualifications
- TMP 11: Use of external service providers
- TMP 12: Corporate governance

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

TMP 1: RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. Decisions on borrowing, investment or financing are taken in accordance with the provisions in the Annual Treasury Management Strategy.

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

- 1) **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council.

Principle: The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment or borrowing methods and techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Schedule:

Criteria to be used for creating/managing approved counterparty lists/limits	The Head of Finance is responsible for setting prudent criteria and additionally the Council's treasury advisors will provide guidance and assistance in setting the criteria. The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis.
Details of credit rating agencies' services and their application	The Council considers the ratings of all 3 ratings agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.
Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price. In addition, the Head of Finance reads quality financial press for information on counterparties.

- 2) **Liquidity Risk Management:** Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

Principle: The Head of Finance will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

Schedule:

<i>Cash flow and cash balances</i>	<p><i>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a monthly cash flow forecast.</i></p> <p><i>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned by investing surplus funds.</i></p>
<i>Short term investments</i>	<p><i>A balance in the region of £200k to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers.</i></p> <p><i>The Council also uses various Current and Call Accounts and Money Market Funds as outlined on the Council's approved counterparty list. The maximum balance on each of these accounts is outlined as part of the Council's investment strategy.</i></p>
<i>Temporary borrowing</i>	<p><i>Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.</i></p> <p><i>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</i></p>
<i>Bank overdraft and standby facilities</i>	<p><i>The Council has no authorised overdraft limit with its bankers.</i></p>

- 3) Interest Rate Risk Management:** *Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.*

Principle: *The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.*

Schedule:

<i>Minimum/maximum proportions of fixed/variable rate debt/interest</i>	<p><i>Borrowing/investments may be at a fixed or variable rate.</i></p> <p><i>The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.</i></p>
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<i>Managing changes to interest rate levels</i>	<i>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest. The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</i> <i>Interest rate forecasts are provided by Arlingclose and are closely monitored by the Head of Finance. Variations from original estimates and their impact on the Council's debt and investments are notified as part of the Council's budgetary management process.</i>
<i>Details of approved interest rate exposure limits</i>	<i>As per the Council's prudential indicators, The indicator calculates the relationship between the Council's net principal sum outstanding on its borrowing to the minimum amount it has available to invest (-£25m for 2017/18). The negative figure results because the Council has more funds available to invest than it intends to borrow for the year 2017/18.</i>
<i>Details of hedging tools used to manage risk</i>	<i>The Council will only use the following standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</i>

- 4) **Exchange Rate Risk Management:** The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle: *The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

Schedule:

<i>Exchange rate risk management</i>	<i>This Council does not, on a day to day basis, have foreign currency transactions or receipts, and does not intend to make any investments denominated in foreign currencies.</i>
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- 5) **Refinancing Risk Management:** *The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.*

Principle: *The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.*

Schedule:

<i>Projected capital investment requirements</i>	<p><i>4 year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</i></p> <p><i>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</i></p>
<i>Debt profiling, policies and practices</i>	<p><i>Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</i></p> <p><i>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</i></p>
<i>Policy concerning limits on revenue consequences of capital financings</i>	<p><i>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.</i></p>

- 6) Legal and Regulatory Risk Management:** *The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.*

Principle: *The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. In framing its credit and counterparty policy under TMP1(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

Schedule:

<p>References to relevant statutes and regulations</p>	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> ▪ CIPFA’s Treasury Management Code of Practice 2001 and subsequent amendments ▪ CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ Pensions, England and Wales - The Local Government Pension Scheme Regulations 2009 - SI 2009 No 3093 ▪ The CLG’s statutory Guidance on Minimum Revenue Provision (MRP) ▪ The ODPM’s (now CLG’s) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments ▪ The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883 ▪ LAAP Bulletins ▪ Code of Practice on Local Authority Accounting in the United Kingdom (from 2017/ 18 onwards) ▪ Accounts and Audit Regulations 2003, as amended together with CLG’s Guidance ▪ Council’s Constitution
<p>Required information from counterparties concerning their powers/ authorities</p>	<p>Lending shall only be made to institutions on the Council’s authorised lending list.</p> <p>The Council will only undertake borrowing from approved sources such as the PWLB and LEP, organisations such as the European Investment Bank and from commercial banks who are on the Council’s list of authorised institutions, and other local authorities.</p>
<p>Statement on political risks and management of the same</p>	<p>Political risk is managed by:</p> <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (TMP 12 - Corporate Governance)

7) **Fraud, Error and Corruption, and Contingency Management:** This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

Principle: The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Schedule:

<p><i>Details of systems and procedures to be followed, including Internet services</i></p>	<p><i>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements.</i></p> <p><i>1. <u>Electronic Banking and Dealing</u></i></p> <p><i>The Council's online banking service provided by HSBC is subject to separate log-on and password control allowing varying levels of access.</i></p> <p><i>Full procedure notes covering the day to day operation of the on-line banking system are documented and included in the Operations Manual.</i></p> <p><i>2. <u>Payment Authorisation</u></i></p> <ul style="list-style-type: none"> <i>• Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank.</i> <i>• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.</i> <i>• Separate officers process, check and authorise dealing transactions.</i>
<p><i>Internal Audit</i></p>	<p><i>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See TMP7 Budgeting, accounting and audit arrangements.</i></p>
<p><i>Business Continuity</i></p>	<p><i>1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by the IT department to restore files, if necessary.</i></p> <p><i>2. Electronic Banking System Failure: details of emergency arrangements are contained within the Council's Business Continuity Plan, which is maintained by the Director of Resources.</i></p>
<p><i>Insurance Cover details</i></p>	<p><i>The Council has Fidelity Guarantee cover. Cover details are held within the Finance Department.</i></p>

- 8) **Market Risk Management:** *This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.*

Principle: *This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.*

Schedule:

<p><i>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc.)</i></p>	<p><i>Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</i></p> <p><i>Pooled Funds with a Variable Net Asset Value (VNAV) - The Council currently uses pooled funds as per its Treasury Management Strategy, and on advice from its treasury advisors.</i></p>
<p><i>Accounting for unrealised gains/losses</i></p>	<p><i>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</i></p>

TMP 2: PERFORMANCE MEASUREMENT

Principle: The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Schedule:

<p><i>Policy concerning methods for testing value for money</i></p>	<p><i>Best value reviews will include the production of plans to review the way services are provided by</i></p> <ul style="list-style-type: none"> ▪ <i>Challenging</i> ▪ <i>Comparing performance</i> ▪ <i>Consulting with other users and interested parties</i> ▪ <i>Applying competition principles</i> <p><i>in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</i></p>
<p><i>Policy concerning methods for performance measurement</i></p>	<p><i>Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability.</i></p> <p><i>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</i></p>
<p><i>Methodology to be applied for evaluating the impact of treasury management decisions</i></p>	<p><i>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be included with mid-year and year-end Treasury Reports.</i></p> <p><i>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the Pls set prior to the commencement of the financial year and any in-year amendments. The Council's Treasury Management advisors benchmark the performance, risk and returns of the Council's in-house funds with funds managed on a similar basis by other local authorities.</i></p>
<p><i>Methodology to be employed for measuring the performance of the Council's treasury management activities</i></p>	<p><i>Treasury management activity is reported twice yearly against strategy and prevailing economic and market conditions. The report will include:</i></p> <ol style="list-style-type: none"> <i>a) Total debt including average rate and maturity profile (where appropriate)</i> <i>b) The effect of new borrowing and/or maturities on the above</i> <i>c) The effect of any debt restructuring on the debt portfolio</i> <i>d) Total investments including average rate, credit and maturity profile</i> <i>e) The effect of new investments/redemptions/maturities on the above</i> <i>f) The rate of return on investments against their indices for internally and externally managed funds</i> <i>g) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period)</i> <i>h) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy.</i>
<p><i>Best value</i></p>	<p><i>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations.</i></p>

TMP 3: DECISION-MAKING AND ANALYSIS

Principle: The Council will maintain records of its treasury management decision. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Schedule:

<p><i>Major treasury decisions</i></p>	<p><i>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</i></p> <ul style="list-style-type: none"> <i>a) changes to Prudential Indicator(s) during the course of the financial year</i> <i>b) raising a new long-term loan / long-term source of finance</i> <i>c) prematurely restructuring/redeeming an existing long-term loan(s)</i> <i>d) investing longer-term (i.e. in excess of 1 year)</i> <i>e) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital)</i> <i>f) leasing</i> <i>g) change in banking arrangements</i> <i>h) appointing/replacing a treasury advisor</i> <i>i) appointing/replacing a fund manager</i>
<p><i>Process</i></p>	<p><i>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</i></p>
<p><i>Delegated powers for treasury management</i></p>	<p><i>The Section 151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</i></p>
<p><i>Processes to be followed</i></p>	<p><i>The processes to be followed will be in keeping with TMP 4: Approved, Instruments, Methods and Techniques.</i></p>
<p><i>Evidence and records to be kept</i></p>	<p><i>The Council will maintain a record of all major treasury management decisions.</i></p>

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle: The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk Management.

Schedule:

<p><i>Approved treasury management activities</i></p> <p><i>The Council is permitted to undertake the following activities:</i></p> <ul style="list-style-type: none"> ▪ <i>Managing cashflow</i> ▪ <i>Capital financing</i> ▪ <i>Borrowing including debt restructuring and debt repayment</i> ▪ <i>Lending including redemption of investments</i> ▪ <i>Banking</i> ▪ <i>Leasing</i> ▪ <i>Managing the underlying risk associated with the Council's capital financing and surplus funds activities.</i> <p><i>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques.</i></p>	
<p><i>Approved capital financing methods and types/sources of funding</i></p>	<p><u><i>On balance sheet</i></u></p> <ul style="list-style-type: none"> • <i>Public Works Loans Board (PWLB) loans</i> • <i>long term money market loans including LOBOs</i> • <i>temporary money market loans (up to 364 days).</i> • <i>bank overdraft</i> • <i>loans from UK banks or building societies</i> • <i>loans from bodies such as the European Investment Bank (EIB)</i> • <i>loans from UK local authorities</i> • <i>UK public and private sector pension funds (except the Local Government Pension Scheme administered by Hampshire County Council)</i> • <i>Local Capital Finance Company and other special purpose companies created to enable local authority bond issues</i> • <i>Capital market bond investors</i> • <i>Finance Leases</i> • <i>Deferred Purchase</i> • <i>Government and EU Capital Grants</i> • <i>Other Capital Grants and Contributions</i> • <i>PFI/PPP</i> <p><u><i>Internal Resources</i></u></p> <ul style="list-style-type: none"> • <i>Capital Receipts</i> • <i>Revenue Balances</i> • <i>Use of Reserves</i> <p><u><i>Off balance sheet</i></u></p> <ul style="list-style-type: none"> • <i>Operating Leases</i> • <i>Structured Finance</i> <p><i>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</i></p>

<p><i>Approved investment instruments</i></p>	<p><i>The Council will determine approved investment instruments through its Annual Investment Strategy. The approved instruments are summarised as follows:</i></p> <ul style="list-style-type: none"> ▪ <i>Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities</i> ▪ <i>Term deposits with banks and building societies</i> ▪ <i>Certificates of deposit</i> ▪ <i>Callable deposits</i> ▪ <i>Investments in Money Market Funds</i> ▪ <i>Treasury Bills</i> ▪ <i>Gilts</i> ▪ <i>Bonds issued by multilateral development banks</i> ▪ <i>Sterling denominated bonds by non-UK sovereign governments</i> ▪ <i>Pooled funds</i> ▪ <i>Investments with Registered Providers of Social Housing</i> ▪ <i>Commercial paper</i> ▪ <i>Corporate Bonds</i> ▪ <i>Floating Rate Notes</i> ▪ <i>Reverse repurchase agreements (repos)</i> <p><i>The use of the above instruments by the Council's fund manager(s) (if appointed) will be by reference to the fund guidelines contained in the agreement between the Council and the manager</i></p>
<p><i>Use of Derivatives</i></p>	<p><i>The Council will only use the following standalone financial derivatives: e.g. swaps, forwards, futures and options where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.</i></p>

TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Principle: The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions.

Schedule:

<p><i>Limits to responsibilities at Executive levels</i></p>	<p><i>Full Council:</i></p> <ul style="list-style-type: none"> • <i>receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Cabinet)</i> • <i>receiving and reviewing reports on treasury management policies and activities (following receipt by Cabinet)</i> <p><i>Cabinet/Council:</i></p> <ul style="list-style-type: none"> • <i>approval of amendments to adopted clauses, treasury management policy statement</i> • <i>budget consideration and approval</i>
<p><i>Principles and practices concerning segregation of duties</i></p>	<p><i>The segregation of duties will be determined by the Head of Finance.</i></p> <p><i>Segregation of duties exists in that:</i></p> <ul style="list-style-type: none"> • <i>the officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations.</i> • <i>the officer responsible for negotiating and closing treasury management deals is separate from officer authorising payments</i> • <i>all borrowing/investments decisions must be authorised by the Head of Finance.</i>

<p><i>Statement of duties/ responsibilities of each treasury post</i></p>	<p><i>The Head of Finance:</i></p> <ul style="list-style-type: none"> • <i>submitting budgets and budget variations</i> • <i>recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance</i> • <i>submitting regular treasury management policy reports</i> • <i>receiving and reviewing management information reports</i> • <i>reviewing the performance of the treasury management function</i> • <i>ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function</i> • <i>recommending the appointment of external service providers</i> • <i>determining long-term capital financing and investment decisions.</i> • <i>The Head of Finance has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.</i>
	<p><i>Finance & Accounting Manager:</i></p> <ul style="list-style-type: none"> • <i>monitoring performance on a day to day basis</i> • <i>submitting management information reports to the responsible officer</i> • <i>identifying and recommending opportunities for improved practices</i> • <i>adherence to agreed policies and practices on a day to day basis</i> • <i>maintaining relationships with third parties and external service providers</i> <p><i>Accountant:</i></p> <ul style="list-style-type: none"> • <i>execution of transactions</i> • <i>adherence to agreed policies and practices on a day to day basis</i> • <i>maintaining relationships with third parties and external service providers</i> • <i>recording and reconciling treasury management transactions</i> • <i>contributing to the preparation of management information reports</i>
<p><i>Absence cover arrangements</i></p>	<p><i>Cover in the absence of the relevant treasury management officer is provided by</i></p> <ul style="list-style-type: none"> • <i>Finance & Accounting Manager provides cover for Accountant</i> • <i>Head of Finance provides cover for Finance & Accounting Manager</i>

Dealing

<p><i>Authorised officers</i></p>	<p><i>Responsible officer for borrowing/investment decisions :</i></p> <ul style="list-style-type: none"> • <i>Borrowing activity: Head of Finance</i> • <i>Lending activity: Head of Finance</i> • <i>Authorising payments for borrowing/lending : Finance & Accounting Manager or Head of Finance</i> • <i>Transaction recording: Accountant</i>
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<i>List of approved brokers</i>	<i>Brokers used by the Council are named in TMP 11: External Service Providers</i>
<i>Direct dealing practices</i>	<i>Direct dealing is carried out with institutions as outlined on the Council's approved investment counterparty list.</i>
<i>Deal Ticket proforma</i>	<i>Deals will be recorded as per the deal ticket proforma</i>
<i>Settlement transmission procedures</i>	<ul style="list-style-type: none"> • <i>Settlements are made by CHAPS.</i>
<i>Documentation requirements</i>	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker (if applicable).</p> <p>Investments:</p> <ul style="list-style-type: none"> • <i>deal ticket authorising the investment</i> • <i>confirmation from the broker</i> • <i>confirmation from the counterparty</i> • <i>Chaps payment transmission document</i> <p>Loans:</p> <ul style="list-style-type: none"> • <i>deal ticket with signature to agree loan</i> • <i>confirmation from the broker</i> • <i>confirmation from PWLB/market counterparty</i> • <i>Chaps payment transmission document for repayment of loan.</i>
<i>Arrangements concerning the management of counterparty funds</i>	<i>The Investment and Loans file contains an up to date list of Council's approved investment counterparty list.</i>

TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Principle: The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, Cabinet and Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The present arrangements and the form of these reports are outlined below.

Schedule:

<p>1. Frequency of executive reporting requirements</p>	<p>The Head of Finance will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Head of Finance will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year before the start of the year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Head of Finance, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year.</p>
<p>2. Treasury Strategy Statement including the Annual Investment Strategy & Prudential Indicators</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year • the interest rate outlook against which the treasury activities are likely to be undertaken

<p><i>3. Annual Treasury Report</i></p>	<p><i>The Head of Finance will produce an annual report on all activities of the treasury management function during the financial year.</i></p> <p><i>The main contents of the report will comprise:</i></p> <ul style="list-style-type: none"> ▪ <i>the prevailing economic environment</i> ▪ <i>a commentary on treasury operations for the year, including their revenue effects</i> ▪ <i>commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council</i> ▪ <i>compliance with agreed policies and practices, statutory and regulatory requirements</i> ▪ <i>compliance with Prudential Indicators</i> ▪ <i>performance measures</i>
<p><i>4. Mid-Year Treasury Report</i></p>	<p><i>The Head of Finance will produce a mid-year report on borrowing and investment activities of the treasury management function for the first six months of the financial year.</i></p> <p><i>The main contents of the report will comprise:</i></p> <ul style="list-style-type: none"> • <i>Economic background</i> • <i>Economic forecast (including interest rates forecast)</i> • <i>Treasury Management Strategy Statement update</i> • <i>Performance versus benchmarks</i> • <i>Borrowing information (including premature repayment, new loans information)</i> • <i>Information on investments, including current lending list</i> • <i>Prudential indicators relating to treasury management</i> • <i>Governance framework and scrutiny arrangements</i>

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Principle: The Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques**. The form which the Council's budget will take is set out in the schedule below.

Schedule:

<i>Statutory/regulatory requirements</i>	Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year. S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.
<i>Proper accounting practice</i>	CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".
<i>Financial Statements</i>	The current form of the Council's Financial Statements is available within Financial Services.
<i>Disclosures relating to treasury management</i>	Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.
<i>Treasury-related information requirements of external auditors</i>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. • Details of External borrowing • Details of Investments • Cash Flow Statement
<i>Internal Audit</i>	<p>Audit of the treasury management function forms part of the Internal Audit Plan.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
<i>Compliance with CIPFA Treasury Management and Prudential Codes</i>	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>

TMP 8: CASH AND CASH FLOW MANAGEMENT

Principle: Cash flow projections will be prepared on a regular and timely basis, and the Head of Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [2] liquidity risk management. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedule:

<i>Arrangements for preparing /submitting cash flow statements</i>	<i>Cash flow forecasts are used to formulate the Council's borrowing and investment strategy.</i>
<i>Content and frequency of cash flow projections</i>	<p><i>The detailed annual cash flow model includes the following:</i></p> <ul style="list-style-type: none"> <i>• revenue income and expenditure based on the budget</i> <i>• profiled capital income and expenditure as per the capital programme</i>
<i>Monitoring, frequency of cash flow updates</i>	<p><i>The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</i></p> <ul style="list-style-type: none"> <i>• net RSG and NNDR payments as notified;</i> <i>• county council and fire authority & Police and Crime Commissioner precepts;</i> <i>• actual salaries and other employee costs paid from account bank statements;</i> <i>• actual payments to HMRC from general account bank statements;</i> <i>• actual council tax received</i> <i>• actual rent allowances paid;</i> <i>• actual housing benefit (less: HB subsidy);</i> <i>• actual capital programme expenditure and receipts</i>

TMP 9: MONEY LAUNDERING

Background: The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Principle: The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The present arrangements are detailed in the schedule below.

Schedule:

Anti money laundering policy	This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering.
Treasury documentation	The Authority will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include: <ul style="list-style-type: none"> – Awareness of what constitutes money laundering (outlined in the Anti-Money Laundering Policy) – The obligation to report any suspicions to help prevent and detect money laundering – Maintaining up-to-date direct dealing and mandates with counterparties
Nomination of Responsible Officer(s)	The Council has nominated the Head of Finance to be the Money Laundering Reporting Officer to whom any suspicions relating to transactions involving the Council will be communicated.

TMP 10: TRAINING AND QUALIFICATIONS

Principle: The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Head of Finance will recommend and implement the necessary arrangements.

The present arrangements are detailed in the schedule below.

Schedule:

Qualifications/ experience for treasury staff	The Council expects its treasury staff to have suitable accounting qualifications and or experience.
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are: <ul style="list-style-type: none"> ▪ Certificate in International Treasury Management ▪ Public Finance Training courses run by CIPFA and IPF ▪ Any courses/seminars run by Treasury Management Consultants. ▪ Training attended by those responsible for scrutiny of the treasury function

TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

Principle: The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

Schedule:

Details of service providers	(a) Treasury advisor - Address as from 10 th April 2017 Arlingclose Ltd, 35 Chiswell Street, London EC1Y 4SE Tel 08448 808200 Contract period: April 2016 to April 2019
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TMP 12: CORPORATE GOVERNANCE

Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2011). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management.

Schedule:

Stewardship responsibilities	The Head of Finance ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection.	The following documents are freely available for public inspection: Examples <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ Budget Book ▪ Treasury Management Policy ▪ Treasury Management Strategy ▪ Budget Monitoring Reports ▪ Annual Treasury Report
Council's website.	Financial information is additionally available on the Council's website

Note: Items the Council would maintain at operational level in an 'Operations Manual' and an 'Investment & Loans File' as referred to in this template. The Council 'Operations Manual' contains the follows:

- Procedure Notes for the Council's treasury management system
- Settlement Procedures
- Procedure Notes for the Council's on-line banking system

The 'Investment & Loans File' contains the following:

- Details of all current investments (some of which are contained within transaction files e.g. pooled funds, call accounts) and loans (if applicable)
- Current approved investment counterparties

End of Treasury Management Practices & Schedules

APPENDIX E

PRUDENTIAL INDICATORS	2016/17	2017/18	2018/19	2019/20
	Actual	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Capital Expenditure	21.919	30.945	2.026	2.161
	£m	£m	£m	£m
Financing of Capital Expenditure				
Capital Receipts	13.505	4.600	0.500	0.500
Capital Grants and contributions	1.316	3.285	1.331	1.431
Revenue	0.550	-	-	-
Borrowing	6.548	23.060	0.195	0.230
Total capital financing	21.919	30.945	2.026	2.161
	£m	£m	£m	£m
Capital financing requirement as at 31 March	6.5	29.6	29.7	29.5
	£m	£m	£m	£m
Gross debt and the capital financing requirement				
Capital Financing Requirement (measured in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years)	36.1	65.5	65.4	65.1
Total gross debt	14.6	37.0	43.0	42.0
Difference	21.5	28.5	22.4	23.1
	£m	£m	£m	£m
Operational boundary for external debt				
Borrowing	20.0	47.0	50.0	47.0
	£m	£m	£m	£m
Authorised limit for external debt				
Borrowing	22.0	49.0	51.0	50.0
Other long-term liabilities	1.0	1.0	1.0	1.0
Total	23.0	50.0	52.0	51.0
	%	%	%	%
Ratio of financing costs to net revenue stream	-8	-6	0	4
	£	£	£	£
Incremental impact of capital investment decisions on the Council Tax				
General Fund - effect (£ p) on annual band D Council Tax	0.00	(6.75)	(18.31)	(18.19)

**Local
government
audit committee
briefing**



Building a better
working world



Contents at a glance





This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.



Government and economic news

Brexit Update

On Wednesday 29 March 2017 Theresa May triggered article 50, the part of European Union law that sets out the process by which member states may withdraw from the union. European governments and the EU as an institution are at the vanguard of the Brexit process. The challenge of unravelling the UK from the EU is a significant one. Negotiations will be complex as there seems little likelihood now that one of the existing models for non-EU European countries' relationships with the EU can simply be extended to the UK.

As advisers to the sector, we have a critical role in working with our clients through this period of uncertainty. The negotiations will touch on multiple policy areas – such as trade, immigration and border control, tax and customs, transport and infrastructure, higher education, state aid, energy and the environment – and will

require significant change in the Government and Public Sector. Whilst UK government departments consider potential scenarios for different outcomes of the negotiations, EU negotiators will in turn have the task of balancing the diverse interests and priorities of the other 27 Member States.

The UK's exit seems like a long way off, but it is essential for us to keep abreast of political, regulatory and economic developments as negotiations progress. We will monitor the situation on an ongoing basis and provide connectivity, timely information, communication and tailored content to our Government and Public Sector clients.

For further information and our most recent views of the impact of Brexit on the economy please see the EY Item Club article within the EY website, full link is below in the 'Find Out More' section.



Final Local Government Finance Settlement

The Local Government finance settlement has been finalised after formal representations were received from a number of organisations and individuals.

This includes the four year funding allocations so councils can publish efficiency plans for the future. £200bn was allocated for the settlement.

This Local Government Finance Bill will devolve 100% of business rates. As a result of this the revenue support grant will be abolished. This is a move to make councils financially self-sufficient. It also means that there will no longer be an annual finance settlement each year. The scheme is being piloted in Greater Manchester, Liverpool City Region, the West Midlands, Cornwall, the West of England and Greater London Authority. In 2018-19 further pilots will take place and councils can apply to be a part of this. The scheme will be rolled out nationally in 2019-2020.

New Valuations of Business Rates

The Government implemented a £6.7bn relief package which came into effect from April 2017 due to the new valuation listings. This will mean around three quarters of businesses will see a reduction or a freeze in the business rates they pay. The revaluation will not affect the overall income received by the Treasury as it is fiscally neutral. However, it could affect the level of income received by a council based on the mix of businesses in a constituency. Each local authority must develop schemes for how the business rate relief is allocated which will require member approval.

Spring Budget 2017 – Adult Social Care funding

It was announced in the Spring Budget that £2bn worth of additional funding will be provided to councils in England for use on adult social care over the next three years. £1bn of this will be available in 2017-18 meaning more care packages can be funded immediately. Funding will be supplemented with targeted measures. This is to ensure areas with the greatest challenges make improvements.

NAO report: Health and social care integration

In this report the National Audit Office (NAO) states that integration of health and social care has been less successful and progressed slower than envisaged, and has not delivered all of the expected benefits for all parties (patients, the NHS or local authorities). It says that the Government's plans for integrated health and social care services across England by 2020 are at significant risk.

One of the key areas of focus in the report is the Better Care Fund (which in its first year involved the pooling of in excess of £5bn of funds). Whilst the NAO saw that its introduction has improved joint working, its potential has not been achieved. Its principal financial and service targets over 2015-16 were not met. Compared with 2014-15 emergency admissions increased by 87,000 against a planned reduction of 106,000 costing £311mn more than planned. In the same period, days lost to delayed transfers of care increased by 185,000 against a planned reduction of 293,000 costing £146mn more than planned. The report acknowledges that the Fund has been successful in encouraging local areas to work together, with more than 90% of local areas agreed or strongly agreed that delivery of their plan had improved joint working. Improvements were seen in reductions in permanent admissions of age 65 and over to nursing and residential care homes, and in increasing the proportion of older people still at home 91 days after discharge from hospital into rehabilitation or re-ablement services.

In respect of central government, the NAO states that whilst the Department of Health and the Department for Communities and Local Government have identified barriers to integration, (e.g., misaligned financial incentives, workforce challenges and reluctance over information sharing), but are not addressing them in a systematic way. Government commissioned research in 2016 assessed that local areas are not on track to achieve the target of integrated health and social care by 2020.

NHS England's ambition to save £900mn through introducing seven new care models was seen to potentially be optimistic. The models' impact is still being assessed and they are not yet proven. According to the NAO, there is poor governance and oversight of the initiatives examining different ways to transform care and create a financially sustainable care system (e.g., The Integration Partnership Board only receives updates on progress of the Better Care Fund with no reporting from other integration programmes).

Finally, there was no compelling evidence found to demonstrate that sustainable financial savings or reduced acute hospital activity results from integration. Whilst it recognises that there are some good examples of integration at a local level, assessment of these has been hindered by issues with comparable cost data across different care settings, and difficulty tracking patients.





Accounting, auditing and governance

Current Accounting Issues

As Local Authority finance teams across the country begin to close down the 2016/17 financial year and prepare the financial statements, it is timely to highlight the two main changes to financial reporting requirements impacting in 2016/17 and subsequent years.

'Telling the Story'

Local Authority financial statements will look different in 2016/17 when compared to previous years. These changes arise from the

changing requirements of the Local Authority Accounting Code of Audit Practice issued each year by CIPFA. The 2016/17 Code now includes the accounting requirements of CIPFA's *'How to tell the story'* publication.

CIPFA has been working on a project for the last few years to both streamline Local Authority financial statements and improve their accessibility to the user. One way in which user accessibility has been strengthened is to try and make year-end external reporting through the financial statements look more like in year internal management reporting. As a result, the main changes to



the 2016/17 financial statements will be to the Comprehensive Income and Expenditure Statement (CIES) and associated disclosure notes. The key changes to look out for are:

- ▶ How income and expenditure are analysed on the face of the CIES. In previous years Local Authorities had to analyse their service income and expenditure using the service expenditure analysis prescribed by CIPFA in the Service Reporting Code of Practice (SeRCOP). Local Authorities must now provide this analysis in the same format and reporting segments that they use for internal management reporting throughout the year.
- ▶ The introduction of a new note supporting the CIES, the Expenditure & Funding Analysis (EFA). The objective of this new note is to provide a direct reconciliation between the way local authorities are funded, how they budget and the CIES in a way that improves accessibility to the user of the financial statements. The analysis of expenditure and funding within the EFA must follow the same segmental analysis used in the CIES and internal reporting.

This subject was covered in detail at the recent EY CIPFA Accounts Closedown Workshops that were run as part of the EY and CIPFA strategic alliance. The 32 workshops were attended by over 800 Local Authority finance staff across the UK.

Highways Network Asset

Previous Audit Committee Briefings have included information regarding the Highways Network Asset (HNA) Code which was published in 2016. The key aim of the Code was to improve the asset management of the HNA at Highway Authorities. The Code also sought to provide the basis for improved financial information by setting out a move to valuing such assets on a Depreciated Replacement Cost (DRC) basis, which in simple terms is the difference between the current costs of replacing an asset less an allowance (depreciation) for the age of that asset.

The implementation of the HNA Code has encountered a number of issues, and its original implementation date of 2016/17 was deferred. At its meeting on March 8 2017, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.





Regulation news

Gender Pay Gap Reporting Regulations

The Gender Pay Gap Reporting regulations come into effect in April 2017 and they will impact on every organisation that has 250 or more employees.

Under these regulations organisations will be required to publish:

1. The gender pay gap for the pay period to 5 April each year. Numbers need to be submitted to a Government portal (still in development) and be placed in a searchable position on the organisations own website where they need to remain for at least three years. There are six calculations:
 - ▶ Mean gender pay gap in hourly pay
 - ▶ Median gender pay gap in hourly pay
 - ▶ Mean bonus gender pay gap
 - ▶ Median bonus gender pay gap
 - ▶ Proportion of males and females receiving a bonus payment
 - ▶ Proportion of males and females in each pay quartile
2. A written statement, authorised by an appropriate senior person (e.g., a director), which confirms the accuracy of the calculations.

3. Optional contextual narrative alongside the numbers on the website – e.g., to explain the reasons for the results and give details about actions that are being taken to reduce or eliminate the gender pay gap.

Whilst organisations have until next April to publish these disclosures:

- ▶ A data snap shot on 5 April 2017 is required to ensure prior year comparisons are possible.
- ▶ It is expected that there may be significant stakeholder and media pressure to publish sooner than the deadline. Some organisations have recently included a requirement in tender processes for potential suppliers to disclose their gender pay gap. Some organisations have already published their disclosures ahead of the deadline.

The impact of the regulations goes well beyond compliance, and some organisations are concerned about the implications of having to publish a significant gap, as this could have an impact on employee engagement and motivation, the ability to attract new talent and the overall reputation of the organisation.

EY have been working with a number of clients to assist them to ensure compliance with this new regulation, speak to your audit team for further information.



Other

Placing gender on the public sector agenda

In a time of significant change for governments and public sector organisations, the ability to draw on a diverse pool of talent – including a mix of genders, ethnicities, ages and backgrounds – is a critical factor in helping governments adapt to the changes disrupting the sector. There is strong evidence that diverse and inclusive leadership sparks better debate, stimulates innovation, and enhances problem-solving and decision-making. In short, it leads to improved performance and better outcomes.

In mid-2016, EY surveyed 80 government and public sector leaders from a range of countries. We wanted to understand their views on gender parity at the leadership level. The survey built on an earlier study involving interviews with 350 business leaders from seven sectors: automotive, banking and capital markets, consumer products, insurance, life sciences, oil and gas, and power and utilities.

Our research reveals overwhelming agreement that gender diversity is crucial to combating the challenges faced by the public sector. Despite valuing diversity, many public sector organisations are not addressing the gender gap in a way that will deliver the needed change. Sixty percent of respondents believe they do not have sufficient diversity of thought and experience within their leadership team.

Through our research, we identified five disconnects that are holding back government and public sector organisations from achieving gender diversity on their senior leadership team.

1. **The reality disconnect:** Public sector leaders assume the issue is nearly solved despite little progress within their own organisations.
2. **The data disconnect:** Organisations don't effectively measure how well women are progressing through the workforce and into senior leadership.
3. **The pipeline disconnect:** Organisations aren't creating pipelines for future female leaders.
4. **The perception and perspective disconnect:** Men and women don't see the issue of gender parity the same way.
5. **The progress disconnect:** Different sectors agree on the value of diversity but are making uneven progress towards gender parity.

In this report, we explore each of these disconnects to better understand the key barriers that women face in moving ahead in their organisations. We also share our insights on what government and public sector organisations can do to accelerate the journey to gender parity.

EY Resources and Information

EY offers a number of resources to our clients, 'Citizen Today' is produced by EY's Global Government and Public Sector team. Here you can read features and interviews covering the big issues facing governments around the world as they seek to provide better services for citizens. This is the Government and Public Sector element of the EY Client Portal, by signing up to this it could help you stay in touch with relevant news.

The EY Client Portal provides a single, continuous connection to EY. This tool can provide you with continuous access to EY worldwide, some of the key benefits are listed below:

- ▶ **Collaborative services** – Providing better management, team synergies, communication, and continuous global access to status and current documents via a variety of protected online work environments and electronic tools.
- ▶ **Individually tailored content, tools, and resources** – Customised so you see only the content, tools, and resources you want and need.
- ▶ **Improved efficiencies** – Helping you work more productively with relevant knowledge, insights, and business tools accessible in one location.
- ▶ **Enhanced service delivery** – Giving you access to EY's global breadth and depth of services and capabilities (self-service to full-service), helping you execute your business decisions.
- ▶ **Global knowledge and expertise** – Valuable and timely insights on evolving business issues, helping you make informed decisions faster.



Key questions for the Audit Committee

Has the Authority considered the potential impact of the business rates relief on the Authority's finances?

Has the Authority considered how effective the integration of health and social care has been in its local area? Are arrangements with local health partners working effectively and has the Authority considered ways in which they could be improved?

Has the authority put in place processes to meet the new accounting requirement for the analysis of income and expenditure in the CIES, and the new note on the Expenditure and Funding Analysis?

How well prepared is the authority for the new requirement to collect and publish gender pay gap data?

Find out more

Brexit EY Item Club

<http://www.ey.com/uk/en/newsroom/news-releases/17-04-10-stronger-global-economy-paves-the-way-to-brexit-says-ey-item-club>

Final Local Government Finance Settlement

<https://www.gov.uk/government/speeches/statement-in-debate-on-the-local-government-finance-settlement>

NAO Report – Health and social care integration

<https://www.nao.org.uk/report/health-and-social-care-integration/>

Gender Pay Gap Reporting Regulations

The regulations – Statutory Instrument 2017/172:
http://www.legislation.gov.uk/uksi/2017/172/pdfs/uksi_20170172_en.pdf

Overview of the rules from gov.uk

<https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

Guidance – Advisory, Conciliation and Arbitration Service (ACAS) and the Government Equalities Office have published guidance for employers <http://www.acas.org.uk/index.aspx?articleid=5768>

Placing gender on the public sector agenda

[http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/\\$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf](http://www.ey.com/Publication/vwLUAssets/EY-placing-gender-on-the-public-sector-agenda/$FILE/ey-placing-gender-on-the-public-sector-agenda.pdf)

EY Client Resources and Information

<http://www.ey.com/gl/en/industries/government--public-sector/ey-citizen-today#recent-content>



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AGENDA ITEM NO. 6

LICENSING & GENERAL PURPOSES
COMMITTEE
26TH JUNE 2017

HEAD OF ENVIRONMENTAL
HEALTH & HOUSING SERVICES
REPORT NO. EHH1723

**CONSULTATION ON PROPOSED VARIATION TO THE
SCHEME OF HACKNEY CARRIAGE FARES**

SUMMARY

This report outlines proposals to vary the current scheme of hackney carriage fares which have, following the approval of Cabinet, been published for public consultation.

The Committee is requested to consider the proposals and, as a specified consultee in the review process, make comments or recommendations for report to and consideration by Cabinet on determination as may be appropriate.

1.0 INTRODUCTION

- 1.1 Under the Local Authorities (Functions & Responsibilities) (England) Regulations, the determination of hackney carriage fares is an executive function. Accordingly, any revision to the scheme of fares follows a mechanism and timetable agreed by Cabinet.
- 1.2 The approved procedure generally involves the calculation of an initial percentage uplift figure (known as the 'notional uplift') using a formula based on various indices and measures of inflation, weighted to reflect factors relevant to the trade e.g. the cost of fuel. This formula was first used in the 2002 settlement and was developed in consultation with the Taxi Trade Board.
- 1.3 Using the notional uplift as a guide, a revised fare scheme is prepared and subject to public consultation for a minimum statutory period of 14 days. Given its role and responsibilities in other areas of taxi licensing work, the views of the Licensing & General Purposes Committee are also sought during the consultation period.
- 1.4 Where, following consultation, there are any objections to the proposals, these must be taken back to Cabinet for consideration. Otherwise, the proposed scheme takes effect on expiry of any date specified in the consultation notice.
- 1.5 This report outlines proposed variations to the current scheme of hackney carriage fares which, following the approval of Cabinet, have now been published for public consultation. For these purposes, the last date for representations and consultation comments is given as **7th July 2017**.

- 1.6 In accordance with the approved procedure, the Committee is requested to consider the proposals and make comments or recommendations for report to and consideration by Cabinet on determination as may be appropriate.

NB: Should there be no representations / objections to the proposals it is proposed that the scheme be introduced from **1st August 2017**. Where any representations / objections are submitted in respect of the proposals, it is proposed that any variation to the scheme of fares be introduced from **1st September 2017**.

2.0 BACKGROUND

- 2.1. Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 (LGMPA76) gives the Council the power - not a duty (i.e. a discretionary ability), to fix the rates or fares in connection with the hire of a hackney carriage vehicle within its district by means of a scheme of fares. Historically, the Council has always established and set a scheme of fares and this has been subject to annual review in accordance with its taxi licensing policy.

- 2.2. For reference, the current scheme was last uplifted on 29th November 2013 and is given at **appendix A**.

2.3. Perceived problems, associated activities and issues

- 2.4. Despite the above, Cabinet has noted that the process of setting hackney carriage fares is complex, time-consuming and costly. Members have also expressed concern as to whether the setting of fares best serves the public interest and/or supports wider transportation policies; particularly as other service charges in the private and/or self-employed sector are not similarly regulated.

- 2.5. Against this backdrop, Cabinet has requested that officers look at the efficacy of and options for the (de)regulation of setting hackney carriage fares. In consequence of this work, it was considered appropriate to develop and consult on a more simplified scheme of fares in the first instance. This resulted in two separate variation proposals that did not find favour with the taxi trade and were subsequently withdrawn in 2014 and 2015 respectively.

- 2.6. Following the later of these, Cabinet resolved that a cross-party task and finish group be established to make recommendations to Cabinet on all future changes to the scheme. However, whilst attempting to work collaboratively with the taxi trade over the past 24 months, the Member Group has not been able to reach agreement with the taxi trade on a simplified fare structure.

- 2.7. It is now 3-4 years since the fare scheme was last uplifted and any increase applied. As there is little prospect of an agreement on a future fare structure at present, it may now be unreasonable to delay any further uplift; particularly as the degree, significance and impact of any fare uplift will likely increase over time and through any further prolongation of review.

3.0 DETAILS OF THE PROPOSAL

- 3.1. Accordingly, so as to reduce the significance and impact of any fare increase following a prolonged review and minimise the potential for challenge, it is proposed that an interim increase of 4% be applied at this time; deferring any remaining uplift amount to, and pending the next fare review and/or reworking of the scheme.
- 3.2. As an interim uplift, it is proposed that this be applied as an adjustment to the pull-off rate yardage (i.e. the initial distance to be travelled for the initial engagement charge on the meter) and running mile unit rate (i.e. the distance travelled for each meter tick over charge after the initial pull-off distance). This accords with historical methods of uplift application and results in the proposed fare scheme given at **appendix B**.

4.0 IMPLICATIONS OF PROPOSALS

- 4.1. The taxi fare implications inherent to the proposals can mainly be seen by comparing them against the current scheme of fares. The tables given at **appendix C** provide for a fare cost comparison of journeys at each mile mark (up to 15 miles) whilst, the tables given at **appendix D** provide for a cost comparison of a number of local journey examples.
- 4.2. Whilst subject to variation on account of running mile and meter tick over points, collectively, these show an approximate 4% uplift to current taxi rates across the board.

5.0 OTHER RELEVANT CONSIDERATIONS

5.1. Legal Implications

- 5.2. Whilst the Council is not obliged to set a scheme of fares, the Council's taxi licensing policy (approved October 2012) specifies that the Council will seek to undertake an annual review of taxi fares. It further aims to give effect to any variation to the scheme of fares in October or November each year (subject to Committee cycles etc).
- 5.3. Notably, the Council may be subject to challenge where the expectation(s) arising from its stated policy intentions are not being met.

5.4. Financial and Resource Implications

- 5.5. There are no direct financial implications associated with this report other than those attributable to the costs of public consultation. However, these are factored into and can be borne by existing budgets.

5.6. Equalities Impact Implications

- 5.7. By virtue of section 149 of the Equality Act 2010, the Council must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and

those who do not. Due regard must be had at the time decisions are taken and may involve removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low. The 'protected characteristics' and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage / civil partnership status.

- 5.8. Whilst there is no directly available and attributable data to consider or apply in respect of taxi services or their use, it is likely that taxis are well used by local disabled and elderly residents. It is also likely that these 'protected' groups would be affected by any proposed fare increase.
- 5.9. Notably, Rushmoor has a 100% wheelchair accessible hackney carriage vehicle policy and fleet. Rushmoor also has a lower number and lower percentage of state pensioners, but has a higher percentage of residents that are in bad or very bad health (used as a potential indicator of disability), when compared to surrounding local authority areas.
- 5.10. Accordingly, the Council could freeze or lower taxi fares to mitigate against the potential impact of the fare increase upon these groups, however, this would impact upon the ability of drivers to recover their costs and make a living from the trade. Moreover, given the wide variation and definition of disability, this would likely create practical difficulties for the taxi trade to implement and/or for the Council to enforce in cases of dispute.
- 5.11. That said, there is, at this time, no attributable data to suggest that the interim uplift proposals will adversely impact the groups protected by the Equality Act to any greater extent than other group(s).
- 5.12. Indeed, once established, a scheme of fares must be applied to journey's undertaken within the Borough. A scheme of fares as regulated by taximeter therefore provides for a consistent method of calculating a fare for any journey between point A to B regardless of the user group. However, whilst the scheme may also be, and is often applied voluntarily for journeys going outside the borough, out of borough journey's may be negotiated with the fare paying customer in advance. This may be for a sum greater or lesser than that calculated by the scheme / taximeter.
- 5.13. Further to the above, while subject to minor ancillary income streams (e.g. vehicle advertisements), taxi fares are the main means by which drivers can recoup the costs of providing a taxi service and effecting an income / living. Conversely, fares must be reasonable and affordable for those that use and/or rely on such services. In essence then, there is a balance to be struck with reference to what is reasonable to expect people to pay but also with reference to the need to give taxi drivers sufficient incentive to provide a taxi service; particularly when it is needed as well as by those needing it (including at times involving anti-social hours). These and other relevant considerations are outlined at **appendix E**.

5.14. A range of potentially relevant local socio-economic data and similar indicators is therefore provided at **appendix F** by way of helping to contextualise both the current and proposed levels of taxi fares against local circumstances. Whilst there is no directly attributed data to consider or apply in respect of taxi services or their use, this data also serves to indicate relative deprivation / affluence and the local ability to pay for and use taxi services.

5.15. Useful Guidance

5.16. While there is limited guidance available to Council's in setting taxi fares, an excerpt of the Department for Transport (DfT) best practice guidelines to licensing authorities is given at **appendix G**.

5.17. While the DfT best practice guidelines have no legal standing, the following points may be relevant; namely -

- (a) It is good practice to review fare scales at regular intervals.
- (b) Fare scales should be designed with a view to practicality.
- (c) Authorities may wish to consider adopting a simple formula for deciding on fare revisions as this will increase understanding and improve the transparency of the process.
- (d) In reviewing taxi fares authorities should pay particular regard to the needs of the travelling public, with reference both to what it is reasonable to expect people to pay but also to the need to give taxi drivers sufficient incentive to provide a service when it is needed.
- (e) There may be a case for higher fares at times of higher demand.
- (f) Taxi fares are a maximum, and in principle are open to downward negotiation between passenger and driver.

6.0 CONCLUSIONS

6.1. The Council's taxi licensing policy specifies that the Council will undertake an annual review of taxi fares. Significantly, following work to review the (de)regulation of hackney carriage fares, the existing scheme of fares has not been uplifted since November 2013. In these circumstances, it may be unreasonable to delay application of a notional uplift to the existing scheme.

6.2. To minimise any potential for challenge and any significant increase thereon, it is proposed that an interim increase of 4% be applied to the scheme of fares at this time. This will require a deferral of any remaining notional uplift amount to, and pending the next fare review and/or reworking of the scheme. Work to this effect will commence later in the year.

6.3. Any proposal for variation must be subject to public consultation. Where appropriate, all representations / comments will be taken back to Cabinet for

consideration before determination with a view to any changes taking effect from 1st September. Any advertised proposal automatically takes effect in the event that it does not attract any representations / comments and for these purposes will commence from 1st August.

BACKGROUND DOCUMENTS: None

CONTACT DETAILS:

Portfolio Holder - Ken Muschamp, Member for Business, Safety & Regulation
ken@laurind.co.uk, 07801 430352

Head of Service – Qamer Yasin, Head of Environmental Health & Housing
qamer.yasin@rushmoor.gov.uk, 01252 398640

Report Author – John McNab, Environmental Health Manager
john.mcnab@rushmoor.gov.uk, 01252 398886

APPENDICES:

Appendix	Title
Appendix A	- Current scheme of fares (effective from 29.11.13)
Appendix B	- Proposed scheme of fares (as based on 4% uplift)
Appendix C	- Comparison tables of charges at each mile mark (up to 15 miles) for current & proposed fare schemes
Appendix D	- Local journey examples / costs arising from the current & proposed fare schemes
Appendix E	- Relevant considerations in setting taxi fares
Appendix F	- Potentially relevant socio-economic data & associated indicators
Appendix G	- Excerpt of DfT Best Practice Guidelines (March 2010)

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**CURRENT SCHEME OF FARES
(EFFECTIVE FROM 29th NOVEMBER 2013)**

HACKNEY CARRIAGE FARES

effective from 29th November 2013

Below is a table of fares made by Rushmoor Borough Council under S65 of the Local Government (Miscellaneous Provisions) Act 1976. Subject to the notes below, these fares and charges are the MAXIMUM fares that may be charged.

METER RATE 1 - Day time

Any hiring on a weekday between 07:00 and 17:59 (unless Rate 4 or 5 applies instead).

First 1132 yards or uncompleted part	£2.70
For each subsequent (or part) 155.7 yards up to 8 miles	£0.20
Thereafter, for each subsequent (or part) 130.3 yards	£0.20
Waiting time (per 40 second period)	£0.20

METER RATE 2 - Evenings and weekends

Any hiring on any day between 18:00 and 22:59 (unless Rate 4 or 5 applies instead); or
Any hiring on a Saturday or Sunday, between 07:00 and 17:59 (unless Rate 5 applies instead).

First 1132 yards or uncompleted part	£3.35
For each subsequent (or part) 155.7 yards up to 8 miles	£0.20
Thereafter, for each subsequent (or part) 130.3 yards	£0.20
Waiting time (per 40 second period)	£0.20

METER RATE 3 - Night time

Any hiring on any day between 23:00 and 06:59 (unless Rate 5 applies instead).

First 1132 yards or uncompleted part	£4.00
For each subsequent (or part) 155.7 yards up to 8 miles	£0.30
Thereafter, for each subsequent (or part) 130.3 yards	£0.30
Waiting time (per 40 second period)	£0.30

METER RATE 4 - Bank holidays

Any hiring on a bank or public holiday or New Year's Day (1st Jan) between 07:00 and 22:59 (unless Rate 5 applies instead).

First 1132 yards or uncompleted part	£3.35
For each subsequent (or part) 155.7 yards	£0.25
Waiting time (per 40 second period)	£0.25

IMPORTANT NOTES

Fare rates are based on a combination of time and distance and are automatically calculated by and must be displayed on the taximeter at all times. If the journey takes the taxi outside the Rushmoor Borough, the fare charged must still be in accordance with this table of fares unless a fare was otherwise agreed with the hirer before the journey started.

COMPLAINTS AND COMMENTS - Where possible please quote the Cab / Driver Number

Please contact the Head of Environmental Health & Housing at Rushmoor Borough Council, Council Offices, Farnborough Road, Farnborough, Hampshire, GU14 7JU. Tel: 01252 398 399 ■ Fax: 01252 524 017 ■ Email: licensing@rushmoor.gov.uk

METER RATE 5 - Christmas/New Year

Any hiring on Christmas Day (25 December) or Boxing Day (26 December); or
Any hiring on Christmas Eve (24 December) or New Year's Eve (31 December) between 21:00 and 23:59; or
Any hiring on New Year's Day (1 January) between 00:00 and 06:59.

First 1132 yards or uncompleted part	£4.40
For each subsequent (or part) 155.7 yards	£0.40
Waiting time (per 40 second period)	£0.40

EXTRA CHARGES

For each additional passenger in excess of five passengers
At rate 1 or 2 (per person) £0.70
At rate 3, 4 or 5 (per person) £1.00

Any hiring booked by telephone or radio

At rate 1 or 2	£0.70
At rate 3, 4 or 5	£1.00

Any hiring if the journey starts or finishes outside the Rushmoor boundary

At rate 1 or 2	£0.70
At rate 3, 4 or 5	£1.00

NB: Passengers may be charged a maximum of four extras, so:

At rate 1 or 2, the total of extras shall at no time exceed	£2.80
At rate 3, 4 or 5, the total of extras shall at no time exceed	£4.00

DEBIT AND CREDIT CARD PAYMENTS

Some taxis accept credit or debit cards. A surcharge may be made for this method of payment which, for non-business customers will not exceed the amount permitted by law, and for business customers shall be limited to a maximum of £1 or 12.5% of the metered fare (whichever is greater).

FOULING CHARGE

Any fouling to the interior of the cab making it unfit for further hiring (at the discretion of the driver). **Up to £100**

RUSHMOOR
BOROUGH COUNCIL

**PROPOSED SCHEME OF FARES
(AS BASED ON 4% UPLIFT)**

HACKNEY CARRIAGE FARES

Proposal

Below is a table of fares made by Rushmoor Borough Council under S65 of the Local Government (Miscellaneous Provisions) Act 1976. Subject to the notes below, these fares and charges are the MAXIMUM fares that may be charged.

METER RATE 1 - Day time

Any hiring on a weekday between 07:00 and 17:59 (unless Rate 4 or 5 applies instead).	
First 1088 yards or uncompleted part	£2.70
For each subsequent (or part) 149.5 yards up to 8 miles	£0.20
Thereafter, for each subsequent (or part) 125.2 yards	£0.20
Waiting time (per 40 second period)	£0.20

METER RATE 2 - Evenings and weekends

Any hiring on any day between 18:00 and 22:59 (unless Rate 4 or 5 applies instead); or Any hiring on a Saturday or Sunday, between 07:00 and 17:59 (unless Rate 5 applies instead).	
First 1088 yards or uncompleted part	£3.35
For each subsequent (or part) 149.5 yards up to 8 miles	£0.20
Thereafter, for each subsequent (or part) 125.2 yards	£0.20
Waiting time (per 40 second period)	£0.20

METER RATE 3 - Night time

Any hiring on any day between 23:00 and 06:59 (unless Rate 5 applies instead).	
First 1088 yards or uncompleted part	£4.00
For each subsequent (or part) 149.5 yards up to 8 miles	£0.30
Thereafter, for each subsequent (or part) 125.2 yards	£0.30
Waiting time (per 40 second period)	£0.30

METER RATE 4 - Bank holidays

Any hiring on a bank or public holiday or New Year's Day (1st Jan) between 07:00 and 22:59 (unless Rate 5 applies instead).	
First 1088 yards or uncompleted part	£3.35
For each subsequent (or part) 149.5 yards	£0.25
Waiting time (per 40 second period)	£0.25

IMPORTANT NOTES

Fare rates are based on a combination of time and distance and are automatically calculated by and must be displayed on the taximeter at all times. If the journey takes the taxi outside the Rushmoor Borough, the fare charged must still be in accordance with this table of fares unless a fare was otherwise agreed with the hirer before the journey started.

COMPLAINTS AND COMMENTS - Where possible please quote the Cab / Driver Number

Please contact the Head of Environmental Health & Housing at Rushmoor Borough Council, Council Offices, Farnborough Road, Farnborough, Hampshire, GU14 7JU. Tel: 01252 398 399 ■ Fax: 01252 524 017 ■ Email: licensing@rushmoor.gov.uk

METER RATE 5 - Christmas/New Year

Any hiring on Christmas Day (25 December) or Boxing Day (26 December); or Any hiring on Christmas Eve (24 December) or New Year's Eve (31 December) between 21:00 and 23:59; or Any hiring on New Year's Day (1 January) between 00:00 and 06:59.	
First 1088 yards or uncompleted part	£4.40
For each subsequent (or part) 149.5 yards	£0.40
Waiting time (per 40 second period)	£0.40

EXTRA CHARGES

For each additional passenger in excess of five passengers	
At rate 1 or 2 (per person)	£0.70
At rate 3, 4 or 5 (per person)	£1.00
Any hiring booked by telephone or radio	
At rate 1 or 2	£0.70
At rate 3, 4 or 5	£1.00
Any hiring if the journey starts or finishes outside the Rushmoor boundary	
At rate 1 or 2	£0.70
At rate 3, 4 or 5	£1.00

NB: Passengers may be charged a maximum of four extras, so:

At rate 1 or 2, the total of extras shall at no time exceed	£2.80
At rate 3, 4 or 5, the total of extras shall at no time exceed	£4.00

DEBIT AND CREDIT CARD PAYMENTS

Some taxis accept credit or debit cards. A surcharge may be made for this method of payment which, for non-business customers will not exceed the amount permitted by law, and for business customers shall be limited to a maximum of £1 or 12.5% of the metered fare (whichever is greater).

FOULING CHARGE

Any fouling to the interior of the cab making it unfit for further hiring (at the discretion of the driver). **Up to £100**

RUSHMOOR
BOROUGH COUNCIL

COMPARISON TABLES OF CHARGES AT EACH MILE MARK (UP TO 15 MILES) FOR CURRENT & PROPOSED FARE SCHEMES

EXISTING v PROPOSED SCHEME OF FARES COMPARISON TABLE			
METER RATE 1 (07:00 TO 17:59)			
DISTANCE	CURRENT COSTS 29.11.13 (£)	PROPOSED SCHEME (£)	%AGE INCREASE
PULL-OFF	2.70	2.70	4.04%
1 MILE	3.70	3.70	0.00%
2 MILES	5.90	6.10	3.39%
3 MILES	8.10	8.50	4.94%
4 MILES	10.30	10.70	3.88%
5 MILES	12.70	13.10	3.15%
6 MILES	14.90	15.50	4.03%
7 MILES	17.10	17.90	4.68%
8 MILES	19.50	20.10	3.08%
9 MILES	22.10	23.10	4.52%
10 MILES	24.90	25.90	4.02%
11 MILES	27.50	28.70	4.36%
12 MILES	30.30	31.50	3.96%
13 MILES	32.90	34.30	4.26%
14 MILES	35.70	37.10	3.92%
15 MILES	38.30	39.90	4.18%

Meter Rate 1 Notes:

	Current	Proposed
Pull-off charge (£)	2.70	2.70
Pull-off distance (yards)	1132	1088
Subsequent running mile charge (£)	0.20	0.20
Distance per running mile charge up to 8 miles (yards)	155.7	149.5
Distance per yardage rate charge after 8 miles (yards)	130.3	125.2

NB: All journeys shown above are for basic hire. Costs shown do not include any extras.

EXISTING v PROPOSED SCHEME OF FARES COMPARISON TABLE			
METER RATE 2 (18:00 TO 22:59)			
DISTANCE	CURRENT COSTS 29.11.13 (£)	PROPOSED SCHEME (£)	%AGE INCREASE
PULL-OFF	3.35	3.35	4.04%
1 MILE	4.35	4.35	0.00%
2 MILES	6.55	6.75	3.05%
3 MILES	8.75	9.15	4.57%
4 MILES	10.95	11.35	3.65%
5 MILES	13.35	13.75	3.00%
6 MILES	15.55	16.15	3.86%
7 MILES	17.75	18.55	4.51%
8 MILES	20.15	20.75	2.98%
9 MILES	22.75	23.75	4.40%
10 MILES	25.55	26.55	3.91%
11 MILES	28.15	29.35	4.26%
12 MILES	30.95	32.15	3.88%
13 MILES	33.55	34.95	4.17%
14 MILES	36.35	37.75	3.85%
15 MILES	38.95	40.55	4.11%

Meter Rate 2 Notes:

	Current	Proposed
Pull-off charge (£)	3.35	3.35
Pull-off distance (yards)	1132	1088
Subsequent running mile charge (£)	0.20	0.20
Distance per running mile charge up to 8 miles (yards)	155.7	149.5
Distance per yardage rate charge after 8 miles (yards)	130.3	125.2

NB: All journeys shown above are for basic hire. Costs shown do not include any extras.

**EXISTING v PROPOSED SCHEME OF FARES COMPARISON TABLE
METER RATE 3 (23:00 TO 06:59)**

DISTANCE	CURRENT COSTS 29.11.13 (£)	PROPOSED SCHEME (£)	%AGE INCREASE
PULL-OFF	4.00	4.00	4.04%
1 MILE	5.50	5.50	0.00%
2 MILES	8.80	9.10	3.41%
3 MILES	12.10	12.70	4.96%
4 MILES	15.40	16.00	3.90%
5 MILES	19.00	19.60	3.16%
6 MILES	22.30	23.20	4.04%
7 MILES	25.60	26.80	4.69%
8 MILES	29.20	30.10	3.08%
9 MILES	33.10	34.60	4.53%
10 MILES	37.30	38.80	4.02%
11 MILES	41.20	43.00	4.37%
12 MILES	45.40	47.20	3.96%
13 MILES	49.30	51.40	4.26%
14 MILES	53.50	55.60	3.93%
15 MILES	57.40	59.80	4.18%

Meter Rate 3 Notes:

	Current	Proposed
Pull-off charge (£)	4.00	4.00
Pull-off distance (yards)	1132	1088
Subsequent running mile charge (£)	0.30	0.30
Distance per running mile charge up to 8 miles (yards)	155.7	149.5
Distance per yardage rate charge after 8 miles (yards)	130.3	125.2

NB: All journeys shown above are for basic hire. Costs shown do not include any extras.

**EXISTING v PROPOSED SCHEME OF FARES COMPARISON TABLE
METER RATE 4 (BANK HOLIDAYS)**

DISTANCE	CURRENT COSTS 29.11.13 (£)	PROPOSED SCHEME (£)	%AGE INCREASE
PULL-OFF	3.35	3.35	4.04%
1 MILE	4.60	4.60	0.00%
2 MILES	7.35	7.60	3.40%
3 MILES	10.10	10.60	4.95%
4 MILES	12.85	13.35	3.89%
5 MILES	15.85	16.35	3.15%
6 MILES	18.60	19.35	4.03%
7 MILES	21.35	22.35	4.68%
8 MILES	24.35	25.10	3.08%
9 MILES	27.10	28.10	3.69%
10 MILES	29.85	31.10	4.19%
11 MILES	32.85	34.10	3.81%
12 MILES	35.60	36.85	3.51%
13 MILES	38.35	39.85	3.91%
14 MILES	41.10	42.85	4.26%
15 MILES	44.10	45.85	3.97%

Meter Rate 4 Notes:

	Current	Proposed
Pull-off charge (£)	3.35	3.35
Pull-off distance (yards)	1132	1088
Subsequent running mile charge (£)	0.25	0.25
Distance per running mile charge up to 8 miles (yards)	155.7	149.5
Distance per yardage rate charge after 8 miles (yards)	n/a	n/a

NB: All journeys shown above are for basic hire. Costs shown do not include any extras.

**EXISTING v PROPOSED SCHEME OF FARES COMPARISON TABLE
METER RATE 5 (CHRISTMAS & NEW YEAR etc)**

DISTANCE	CURRENT COSTS 29.11.13 (£)	PROPOSED SCHEME (£)	%AGE INCREASE
PULL-OFF	4.40	4.40	4.04%
1 MILE	6.40	6.40	0.00%
2 MILES	10.80	11.20	3.70%
3 MILES	15.20	16.00	5.26%
4 MILES	19.60	20.40	4.08%
5 MILES	24.40	25.20	3.28%
6 MILES	28.80	30.00	4.17%
7 MILES	33.20	34.80	4.82%
8 MILES	38.00	39.20	3.16%
9 MILES	42.40	44.00	3.77%
10 MILES	46.80	48.80	4.27%
11 MILES	51.60	53.60	3.88%
12 MILES	56.00	58.00	3.57%
13 MILES	60.40	62.80	3.97%
14 MILES	64.80	67.60	4.32%
15 MILES	69.60	72.40	4.02%

Meter Rate 5 Notes:

	Current	Proposed
Pull-off charge (£)	4.40	4.40
Pull-off distance (yards)	1132	1088
Subsequent running mile charge (£)	0.40	0.40
Distance per running mile charge up to 8 miles (yards)	155.7	149.5
Distance per yardage rate charge after 8 miles (yards)	n/a	n/a

NB: All journeys shown above are for basic hire. Costs shown do not include any extras.

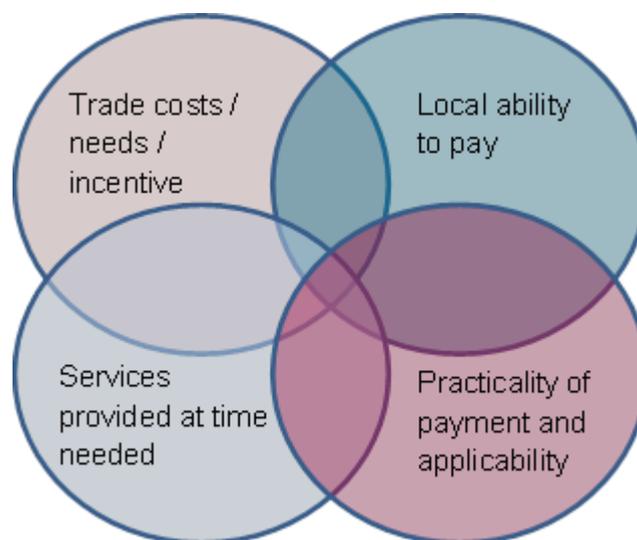
LOCAL JOURNEY EXAMPLES / COSTS ARISING FROM THE CURRENT AND PROPOSED FARE SCHEMES

Local journey examples / costs arising from the current and proposed fare schemes										
Rate		Weekday 07:00-17:59 Meter Rate 1			Any Day 18:00-22:59 Meter Rate 2			Any Day 23:00-06:59 Meter Rate 3		
Journey Details	Distance (miles)	Current Cost (£)	Proposed Cost (£)	Increase	Current Cost (£)	Proposed Cost (£)	Increase	Current Cost (£)	Proposed Cost (£)	Increase
Council Offices to Guildford Station	13.5	34.30	35.70	4.08%	34.95	36.35	4.01%	51.40	53.50	4.09%
Council Offices to Aldershot Station	4.1	10.70	10.90	1.87%	11.35	11.55	1.76%	16.00	16.30	1.88%
Council Offices to Frimley Park Hospital	2.7	7.50	7.70	2.67%	8.15	8.35	2.45%	11.20	11.50	2.68%
Council Offices to Gatwick Airport (M/Way)*	43.7	115.90	120.50	3.97%	116.55	121.15	3.95%	173.80	180.70	3.97%
Council Offices to Gatwick Airport (Non M/Way)*	47.1	125.10	130.10	4.00%	125.75	130.75	3.98%	187.60	195.10	4.00%
Whitchurch Close to Frimley Park Hospital	7.2	17.70	18.30	3.39%	18.35	18.95	3.27%	26.50	27.40	3.40%
Weyborne Road to Frimley Park Hospital	7.4	18.10	18.70	3.31%	18.75	19.35	3.20%	27.10	28.00	3.32%
Whitchurch Close to Fernhill Lane	7.8	18.90	19.70	4.23%	19.55	20.35	4.09%	28.30	29.50	4.24%
Whitchurch Close to Juniper Road	9.4	23.30	24.10	3.43%	23.95	24.75	3.34%	34.90	36.10	3.44%
Waiting Time		30p per minute	30p per minute		30p per minute	30p per minute		45p per minute	45p per minute	
Pull-off Fee		2.70	2.70		3.35	3.35		4.00	4.00	

Notes:

- 1) All journeys shown above are for basic hire. Costs shown do not include any extras e.g. Waiting time, additional passengers or telephone bookings.
- 2) All mileage taken from AA Route Planner.
- 3) All figures subject to rounding.
- 4) Costs given are calculated for comparison purposes only. In practice, journeys marked '*' are subject to supply and demand and separate quotes – typically lower than those given.

SUMMARY CONSIDERATIONS FOR SETTING OF TAXI FARES

**WHAT MATTERS TO THE CUSTOMER / PUBLIC** (in no particular order)

- Simple and easy to understand
- Fare is reasonable and affordable (£)
- Clear / Clarity of fares to be paid (in advance of journey)
- Ease of calculation (both in advance and during journey)
- Ease of calculation by taximeter
- Practicality of applicability
- Transparently and independently established
- Easy to enforce / police
- Offers sufficient incentive for trade to provide taxi services when needed

WHAT MATTERS TO THE TAXI TRADE (in no particular order)

- Fare reasonably covers the costs of service and provides reasonable driver income (£)
- Fares commensurate with level of anti-social hours worked / risk (e.g. working at night / during night time economy) (i.e. incentive to provide a service when needed)
- Ease of calculation by taximeter
- Practicality of applicability
- Practicality of payment method

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POTENTIALLY RELEVANT SOCIO-ECONOMIC DATA & INDICATORS

RELATIVE AFFLUENCE OF AREA

Types of housing in Rushmoor

A higher percentage of housing in Rushmoor is at the lower end of the property market. In 2016, 86.4% of properties were in Band D or below. This is a much higher percentage than Rushmoor's geographic neighbours.

March 2016	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
Band A	3.6%	1.9%	1.8%	1.6%	1.8%
Band B	21.4%	5.9%	6.2%	5.8%	5.1%
Band C	39.6%	20.4%	18.4%	16.2%	23.0%
Band D	21.9%	27.6%	23.5%	26.8%	22.6%
Band E	9.7%	17.2%	17.7%	18.5%	19.9%
Band F	3.0%	11.2%	12.9%	15.8%	17.4%
Band G	0.8%	12.8%	15.6%	13.9%	9.6%
Band H	0.1%	3.0%	3.9%	1.4%	0.6%
% band D or below	86.4%	55.8%	50.0%	50.5%	52.5%

(Source: Valuation Office Agency)

NUMBER OF PEOPLE ON BENEFITS / CLAIMANT COUNT

Rushmoor has a higher percentage of residents claiming benefit principally for the reason of being unemployed and claiming main out-of-work benefits than residents in its geographical neighbours.

Claimant Count - Claimant Count is the number of people claiming benefit principally for the reason of being unemployed.

March 2017	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
% of those aged 16-64 in area	1.0%	0.6%	0.6%	0.7%	0.5%

(Source: NOMIS - Office for National Statistics)

Working-age client group - Main out-of-work benefits - benefits includes the groups: job seekers, ESA and incapacity benefits, lone parents and others on income related benefits.

August 2016	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
% of those aged 16-64 in area	6.0%	4.0%	4.3%	3.9%	3.0%

(Source: NOMIS - Office for National Statistics)

(UN)EMPLOYMENT RATES

Rushmoor has the second highest percentage of residents who are unemployed.

Jan 2016 – Dec 2016	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
Economically active (% of those ages 16-64 in area)	85.0%	77.7%	84.3%	84.2%	85.2%
In employment (% of those ages 16-64 in area)	81.8%	72.8%	82.4%	80.6%	83.3%
Unemployed (% of those economically active)	3.2%	3.5%	2.5%	3.0%	2.5%

(Source: NOMIS - Office for National Statistics)

% POPULATION IN RELATIVE DEPRIVATION

Rushmoor has higher deprivation score (as defined by the national Indices of Multiple Deprivation), and a higher percentage of children living in low income families than in the areas around Rushmoor. Also, Rushmoor has a much lower percentage of households not deprived in any dimension from the 2011 Census, compared to its geographical neighbours.

Indices of Multiple Deprivation

2015	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
Deprivation score (IMD 2015)	15.1	9.4	7.1	7.7	5.0

(Source: Public Health England - 2016 Area Health Profile)

Child poverty

2013	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
% children (under 16) in low income families	11.8%	9.9%	7.2%	8.3%	6.1%

(Source: Public Health England - 2016 Area Health Profile)

Deprivation dimensions data from the 2011 Census

The 2011 Census has calculated the number of households in a given area with selected household characteristics that are related to deprivation, these are called dimensions. The deprivation dimensions used by the Census are -

- **Employment** – if any member of a household, not a full-time student, is either unemployed or long-term sick.
- **Education** – if no person in the household has at least level 2 education (5+GCSE or equivalent), and no person aged 16-18 is a full-time student.

- **Health and disability** - if any person in the household has general health categorised as 'bad or very bad' or has a long term health problem.
- **Housing** – if the household's accommodation is either overcrowded, with an occupancy rating -1 or less (this means one less room than needed based on a standard formula), or is in a shared dwelling, or has no central heating.

	Rushmoor %	Guildford %	Waverley %	Surrey Heath %	Hart %
Household is not deprived in any dimension	47.5	54.9	56.6	56.2	58.7
Household is deprived in 1 dimension	32.7	30.0	29.2	29.8	29.0
Household is deprived in 2 dimensions	15.5	12.4	11.8	11.8	10.7
Household is deprived in 3 dimensions	3.9	2.5	2.1	2.0	1.5
Household is deprived in 4 dimensions	0.4	0.2	0.2	0.2	0.1

(Source: Office for National Statistics)

INCOME / DISPOSABLE INCOME LEVELS

Rushmoor residents earn over £100 less a week than residents in its geographical neighbours. Those who work in Rushmoor also earn less than if they worked in Guildford, Waverley and Hart.

Gross weekly pay of those who live in Rushmoor and those who work in Rushmoor

2016 all full time workers	Rushmoor	Guildford	Waverley	Surrey Heath	Hart	National Living Wage & the National Minimum Wage (over 25)	South East	Great Britain
Earnings by residence	£548.60	£662.60	£775.60	£671.10	£655.60	£277.50	£582.00	£541.00
Earnings by workplace	£559.20	£643.90	£574.30	£538.10	£617.80	£277.50	£566.00	£540.20

(Source: NOMIS - Office for National Statistics)

Average annual income levels

2016 all full time workers	Rushmoor	Guildford	Waverley	Surrey Heath	Hart	National Living Wage & the National Minimum Wage (over 25)	South East	Great Britain
Earnings by residence	£28,527	£34,455	£40,331	£34,897	£34,091	£14,430	£30,264	£28,132

(Source: NOMIS - Office for National Statistics)

MODE OF TRAVEL CHOICE

In 2011, Rushmoor residents mainly travelled to work by car or van (47.6%). In total 166 people (0.2%) travelled to work by taxi, this was the highest number and percentage of the population aged 16-74, compared to Rushmoor's geographical neighbours.

Method of Travel to Work - Resident Population, 2011

% of population aged 16-74	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
Work mainly at or from home	2.8%	5.3%	7.0%	5.5%	6.0%
Underground, metro, light rail, tram	0.1%	0.2%	0.2%	0.2%	0.1%
Train	5.0%	7.8%	7.8%	4.4%	5.2%
Bus, minibus or coach	3.0%	2.3%	1.2%	1.4%	0.9%
Taxi (people)	0.2% ⁽¹⁶⁶⁾	0.1% ⁽¹⁵²⁾	0.1% ⁽⁸⁸⁾	0.1% ⁽⁷¹⁾	0.1% ⁽⁸⁴⁾
Motorcycle, scooter or moped	0.6%	0.5%	0.5%	0.5%	0.5%
Driving a car or van	47.6%	39.3%	41.8%	50.1%	50.2%
Passenger in a car or van	3.9%	2.5%	2.6%	2.7%	2.4%
Bicycle	2.1%	1.8%	1.1%	1.3%	1.5%
On foot	7.4%	8.2%	6.4%	5.2%	5.4%
Other method of travel to work	0.6%	0.4%	0.5%	0.6%	0.4%
Not in employment	26.7%	31.4%	30.9%	28.1%	27.3%

(Source: Office for National Statistics)

% CAR OWNERSHIP

In 2011, Rushmoor residents had the lowest level of car ownership, compared to our geographical neighbours.

2011 Car ownership

% of households	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
No car or van	16.6%	13.9%	11.9%	10.0%	8.0%
1 car or van	43.0%	40.0%	38.1%	34.5%	34.7%
2 cars or vans	31.2%	33.9%	36.3%	39.9%	42.1%
3 cars or vans	6.8%	8.6%	9.7%	11.0%	10.7%
4 or more cars or vans	2.4%	3.6%	4.0%	4.6%	4.5%

(Source: Office for National Statistics)

NET INWARD / OUTWARD MIGRATION

The following table demonstrates that in 2011 more people commuted out of Rushmoor than commuted into Rushmoor. More Rushmoor residents commuted into Surrey Heath than to anywhere else.

	Where people LIVING IN Rushmoor go to work	Where people WORKING IN Rushmoor live
Rushmoor	16,367 people living and working in the Borough	
	4,565 home workers	
	4,131 workers with no fixed workplace	
Hart	3,238	4,675
Surrey Heath	4,693	2,806
Guildford	3,579	2,656
Waverley	2,703	2,174
Bracknell Forest	1,158	1,072
Woking	1,013	625
Basingstoke and Deane	931	1,213
East Hampshire	636	1,236
	Total commuting OUT of Rushmoor – 26,208	Total commuting IN to Rushmoor – 25,058

(Source: 2011 Census <http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc193/>)

OLDER POPULATION

Rushmoor has a lower number and lower percentage of state pensioners than in the surrounding areas.

State Pension caseload – August 2016	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
Number	13247	24283	26771	16849	18277
Percentage of population	13.9%	16.6%	21.7%	19.1%	19.5%

(Source: DWP Stat-Xplore)

ILL HEALTH

The 2011 census indicated that a higher percentage of Rushmoor residents indicated that they were in bad or very bad health, compared to the residents in the surrounding local authorities.

General Health 2011 census	Rushmoor	Guildford	Waverley	Surrey Heath	Hart
% of the population indicating that they are in bad health or very bad health	3.6%	3.2%	3.3%	3.2%	2.7%

(Source: Office for National Statistics)

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**EXCERPT FROM DFT TAXI AND PRIVATE HIRE VEHICLE LICENSING BEST
PRACTICE GUIDANCE TO LICENSING AUTHORITIES
(March 2010)**

TAXI FARES

52. Local licensing authorities have the power to set taxi fares for journeys within their area, and most do so. (There is no power to set PHV fares.) Fare scales should be designed with a view to practicality. The Department sees it as good practice to review the fare scales at regular intervals, including any graduation of the fare scale by time of day or day of the week. Authorities may wish to consider adopting a simple formula for deciding on fare revisions as this will increase understanding and improve the transparency of the process. The Department also suggests that in reviewing fares authorities should pay particular regard to the needs of the travelling public, with reference both to what it is reasonable to expect people to pay but also to the need to give taxi drivers sufficient incentive to provide a service when it is needed. There may well be a case for higher fares at times of higher demand.

53. Taxi fares are a maximum, and in principle are open to downward negotiation between passenger and driver. It is not good practice to encourage such negotiations at ranks, or for on-street hailings; there would be risks of confusion and security problems. But local licensing authorities can usefully make it clear that published fares are a maximum, especially in the context of telephone bookings, where the customer benefits from competition. There is more likely to be a choice of taxi operators for telephone bookings, and there is scope for differentiation of services to the customer's advantage (for example, lower fares off-peak or for pensioners).

54. There is a case for allowing any taxi operators who wish to do so to make it clear – perhaps by advertising on the vehicle – that they charge less than the maximum fare; publicity such as '5% below the metered fare' might be an example.

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LICENSING AND GENERAL
PURPOSES COMMITTEE
26TH JUNE 2017

SOLICITOR TO THE COUNCIL
REPORT NO. LEG1709

CODE OF CORPORATE GOVERNANCE

SUMMARY

The purpose of this report is to present the updated Code of Corporate Governance for review and approval.

RECOMMENDATION

That the Committee is asked to consider and approve the updated 2017 Local Code of Corporate Governance and recommend its adoption to Council.

1. INTRODUCTION

- 1.1 This report presents the Local Code for Corporate Governance 2016/17.
- 1.2 The Council's Code of Corporate Governance is reviewed every year. The Code attached to this report is proposed for adoption for municipal year 2016/17 and has been revised to reflect the latest guidance in the CIPFA/SOLACE Framework published April 2016.

2. BACKGROUND

- 2.1 The current Code of Corporate Governance was adopted by the former Standards and Audit Committee in April 2015. This code was consistent with the framework and guidance published by CIPFA (Chartered Institute of Public Finance and Accountancy) at that time.
- 2.2 In April 2016, CIPFA revised their framework and guidance (Delivering Good Governance in Local Government) and therefore the opportunity has been taken to review the Council's Code and align it with the new guidance.
- 2.3 As one would expect in a framework dealing with 'good governance' there is a lot of correlation between the content of the old CIPFA framework and the new framework. The main changes are the positioning of sustainable, social and environmental outcomes as a key focus of governance processes and structures. CIPFA consider the focus on sustainability and the links between governance and public financial management are crucial in the current financial climate and underpin the need for local authorities to focus on long-term solutions. The framework provides guidance to local authorities, which we may adapt as required.

2.4 Under the new framework there are seven core principles (A-G) each with a number of sub-principles. Although the wording of the principles has been revised, there is a lot of commonality between the sub-principles.

2.5 The previous framework contained six core principles. A comparison between these and the principles (A-G) in the new guidance is set out in Appendix A. This shows how the old and new principles are aligned.

3. LOCAL CODE OF GOVERNANCE

3.1 The updated Local Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.”

3.2 The Code is based on seven core principles:-

- 1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- 2) Ensuring openness and comprehensive stakeholder engagement;
- 3) Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- 4) Determining the interventions necessary to optimize the achievement of the intended outcomes;
- 5) Developing the Council’s capacity, including the capability of its leadership and the individuals within it;
- 6) Managing risks and performance through robust internal control and strong public financial management; and
- 7) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.3 The Local Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. These are summarised within Appendix A of the Code. These behaviours and actions have been summarised following a review of the CIPFA Local Government Guidance Notes for Local Authorities. Appendix B of the Local Code sets out the Local Corporate Governance Framework.

3.4 The Licensing and General Purposes Committee is responsible for approving this Code and it is recommended that this is annually reviewed and updated accordingly.

3.5 The updated Local Code of Corporate Governance is attached at Appendix B.

3.6 Once approved, it is suggested that the RBC Local Code of Corporate Governance is published both on the intranet and also on the Council’s website. If the detailed governance arrangements for the Council are easily accessible to the public in this way, then there is likely to be scope to rationalise the detail contained within the Annual Governance Statement that is produced each year, and published alongside the Statement of Accounts.

4. COUNCIL PRIORITIES

- 4.1 A sound system of corporate governance provides the framework and assurance within which the council can deliver its priorities with confidence.

5. CORPORATE IMPLICATIONS

Legal Implications

- 5.1 The Council must adopt a Code of Corporate Governance, which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement. The best practice guidance is recognised as the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016).

Financial and Risk Implications

- 5.2 None directly from this report. However good governance enables the Council to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. The Council must ensure that it has a sound system of internal control, which includes effective arrangements for the management of risk. Failure to develop and maintain a local Code of Corporate Governance and publish an Annual Governance Statement would mean that the Council would be failing in its responsibilities for ensuring accountability and the proper conduct of public business.

Equalities Implications

- 5.3 None directly from this report.

6. CONCLUSION AND NEXT STEPS

- 6.1 Approval of the updated Local Code of Corporate Governance by the Licensing and General Purposes Committee will ensure that the Council has a robust framework in place to support good governance.

Appendices:

Appendix A: Comparison between updated CIPFA/SOLACE Framework
April 2016 and previous framework

Appendix B: Local Code of Corporate Governance

Background Papers:

The CIPFA/SOLACE: Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016.

CONTACT DETAILS:

Report Author: Ann Greaves
Solicitor to the Council
01252 398600

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Comparison with Framework published in 2007

The following table compares the principles from the Framework (2007) with those included in the revised Framework (2016).

Principles from 2016	Principles from 2007
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <ul style="list-style-type: none"> ■ Behaving with integrity ■ Demonstrating strong commitment to ethical values ■ Respecting the rule of law 	<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> <ul style="list-style-type: none"> ■ Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance ■ Ensuring that organisational values are put in place and are effective
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <ul style="list-style-type: none"> ■ Openness ■ Engaging comprehensively with institutional stakeholders ■ Engaging with individual citizens and service users effectively 	<p>Engaging with local people and other stakeholders to ensure robust public accountability</p> <ul style="list-style-type: none"> ■ Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships ■ Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership, or by commissioning ■ Making the best use of human resources by taking on active and planned approach to meet responsibility to staff

In addition to the overarching requirements for acting in the public interest in principles A and B (2016 Framework), achieving good governance in the public sector also requires effective arrangements for the following:

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

- Defining outcomes
- Sustainable economic, social and environmental benefits

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users
- Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Determining interventions
 - Planning interventions
 - Optimising achievement of intended outcomes
-

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

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

Developing the capacity and capability of members and officers to be effective

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- Encouraging new talent for membership of the authority so that best use can be made of individuals skills and resources in balancing continuity and renewal

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other

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

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Taking informed decisions which are subject to effective scrutiny and managing risk

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

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

- Implementing good practice in transparency
 - Implementing good practices in reporting
 - Assurance and effective accountability
-

LOCAL CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

- 1.1 Rushmoor Borough Council recognises the importance of effective corporate governance so that local communities can place trust in the way that the Council undertakes and carries out its duties. This document sets out and describes the Council's commitment to corporate governance and identifies the arrangements to ensure its effective implementation and application in all aspects of the Council's work.
- 1.2 In April 2016, The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a framework and guidance notes entitled, "Delivering Good Governance in Local Government" (the CIPFA / SOLACE Framework"). This provides guidance to local authorities on how to establish a locally adopted code of corporate governance.

What is Corporate Governance?

- 1.2 The CIPFA/SOLACE Framework defines corporate governance as follows:
- "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
 - To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times.
 - Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

What is the purpose of this Code of Corporate Governance?

- 1.4 Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.
- 1.5 Rushmoor Borough Council is undertaking a review of its Constitution and associated governance documents to ensure that arrangements continue to be robust. This demonstrates that the Council is committed to ensuring that a robust governance framework is in place and one that reflects the core principles of the CIPFA / SOLACE Framework.
- The purpose of this Code of Corporate Governance is therefore to provide a simple document with, where appropriate, hyperlinks to relevant documents relating to governance which are available free of charge on the Council's website.

“The Principles of Good Governance in Local Government (2016)”

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

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

2. PRINCIPLES

- 2.1 The seven core principles each have a number of supporting principles, which in turn have a range of specific requirements that apply across the Council’s business.

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

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

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Behaving with integrity	<ul style="list-style-type: none"> • Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven 	<ul style="list-style-type: none"> • Members Code of Conduct • Employee’s Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Dignity at Work Policy • Equal Opportunities Policy • Whistle-Blowing Policy

	<p>Principles of Public Life (the Nolan Principles)</p> <ul style="list-style-type: none"> • Leading by example and using the above standard operating principles or values as a framework for decision making and other actions • Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> • Council Plan
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> • Council Plan • Human Resources Policies • Induction Procedures • Registers of Interests • Registers of Gifts and Hospitality
Respecting the rule of law	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Dealing with breaches of legal and regulatory provisions effectively • Ensuring corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> • Legal (Monitoring) Officer Role • Internal Audit • Corporate Complaints Procedure • Council Constitution (Part 3 – Responsibility for Functions) • Employees' Development Review • Publicising the process of how to complain about Members' conduct • Overview and Scrutiny functions

Principle B - Ensuring openness and comprehensive stakeholder engagement

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

The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Openness	<ul style="list-style-type: none"> • Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action 	<ul style="list-style-type: none"> • Council Plan quarterly monitoring • Overview and Scrutiny procedure rules • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Council Website • Statement of community involvement • Digital Strategy • Freedom of Information publication scheme
Engaging comprehensively with institutional stakeholder	<p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensuring that partnerships are based on: <ul style="list-style-type: none"> ○ Trust ○ A shared commitment to change ○ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<ul style="list-style-type: none"> • Formal consultation arrangements • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Council Website • Crime and Disorder Reduction Strategy • Deprivation Strategy

Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the impact of decisions on future generation of tax payers and service users 	<ul style="list-style-type: none"> • Council Plan • Council Website • Formal consultation arrangements • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Satisfaction Surveys • Freedom of Information publication scheme • Staff organisational development programme • Member Training Policy
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Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Defining Outcomes	<ul style="list-style-type: none"> • Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Delivering defined outcomes on a sustainable basis within the resources that will be available 	<ul style="list-style-type: none"> • Council Plan • Rushmoor Strategic Partnership Sustainable Community Strategy 2010-2026 • Crime and Disorder Reduction Strategy • Deprivation Strategy • Rushmoor Local Plan Part 1 (Core strategy Oct 2011) and emerging Part 2 Development plan document allocations and polices • Service Business Plans

Part 8 2008	<ul style="list-style-type: none"> Identifying and managing risks to the achievement of outcomes Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> Corporate Risk Register Licensing and General Purposes Committee reviews risk and the Risk Management measures
	Sustainable economic, social and environmental benefits <ul style="list-style-type: none"> Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs Ensuring fair access to services 	<ul style="list-style-type: none"> Council Plan Overarching service management plans Formal consultation arrangements Local Plan Core Strategy and Local Plan Procurement Strategy Digital Strategy

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

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

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Determining Interventions	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer 	<ul style="list-style-type: none"> Statement of accounts Annual Governance Statement Annual Audit letter <ul style="list-style-type: none"> Internal Audit Function and report Statement of Internal Control Reports to Licensing & General

	<p>required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>Purposes Committee on risk, work of Corporate Investigations Team and compliance with Public Sector Internal Auditing Standards</p> <ul style="list-style-type: none"> • Council Constitution (Part 4) • Standing Orders • Service Business Plans • Medium Term Financial Strategy • Annual Treasury Management Strategy • General fund revenue budget <ul style="list-style-type: none"> ○ Efficiency Statement ○ Strategy for the Flexible Use of Capital Receipts
<p>Planning Interventions</p>	<ul style="list-style-type: none"> • Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Considering and monitoring risks facing each partner when working collaboratively, including shared risks • Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensuring capacity exists to generate the information required to review service quality regularly • Preparing budgets in accordance with objectives, strategies and the medium term financial plan • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	<ul style="list-style-type: none"> • Council Plan • Contract Monitoring Reports • Capital Programme • Corporate Complaints policy
<p>Optimising achievement of intended outcomes</p>	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Strategy

	<ul style="list-style-type: none"> • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensuring the achievement of 'social value' through service planning and commissioning 	<ul style="list-style-type: none"> • Contract Standing Orders
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Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it

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

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Developing the entity's capacity	<ul style="list-style-type: none"> • Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognising the benefits of partnerships and collaborative working where added value can be achieved • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	<ul style="list-style-type: none"> • Council Plan • Use of revenue Outturn Suite of Reports and budget reports across councils and other source comparative data. • Treasury Management Advisors provide benchmarking data for Treasury Management across all Councils • Digital Strategy • Rushmoor Strategic Partnership Sustainable Community Strategy (2010-2026)
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publishing a statement that specifies the types of decisions that are 	<ul style="list-style-type: none"> • The Council Constitution • Members' Code of Conduct • Member training and development plan • Members' and officers' induction

	<p>delegated and those reserved for the collective decision making of the governing body</p> <ul style="list-style-type: none"> • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ○ Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ○ Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis 	<p>programmes</p> <ul style="list-style-type: none"> • Development Review Scheme • Recruitment and selection policy • Organisational Development programme for officers • HR Policies and Guidance on intranet
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Principle F - Managing risks and performance through robust internal control and strong public financial management

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

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Managing risk Page 190	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making Implementing robust and integrated risk management arrangements and ensuring that they are working effectively Ensuring that responsibilities for managing individual risks are clearly allocated 	<ul style="list-style-type: none"> Annual Audit Letter Internal Audit function and report Statement of internal control <ul style="list-style-type: none"> Reports to Licensing and General Purposes Committee on risk, work of Corporate Investigations Team and compliance with Public Sector Internal Auditing Standards Corporate risk register Risk Management group Allocated Officer responsible for risk management Whistle blowing Policy
Managing performance	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (or for a committee system). Encouraging effective and constructive challenge and debate on policies and objectives to support to support balances and effective decision making Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements) 	<ul style="list-style-type: none"> Performance Reports aligned to Council Plan priorities Quarterly Monitoring Reports Contract Monitoring Reports Corporate report template requires information Explaining the legal and financial implications of decisions Corporate report template contains 'risk implications section Overview and Scrutiny functions Quarterly spend/budget reports sent to all budget holders
Robust internal control	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving objectives Evaluating and monitoring risk management and internal control on a regular basis 	<ul style="list-style-type: none"> Council Constitution Standing orders for the regulation of business Scheme for cabinet questions

	<ul style="list-style-type: none"> • Ensuring effective counter fraud and anti-corruption arrangements are in place • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ○ that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> • Overview Scrutiny Procedure rules • Scheme for Annual Reports of the Policy and Review Panels to the Council • Article 6 Policy and Review Panels • Regulation of Investigatory Powers Act 2000 • Corporate Surveillance Policy • Data Protection Policy • Publication Scheme • Complaints Policy • Reporting of minutes to decision to Council
Managing data	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring 	<ul style="list-style-type: none"> • Freedom of Information publication scheme • Digital Strategy • Ongoing monitoring of Data Protection Act • Freedom of Information compliance
Strong public financial management	<ul style="list-style-type: none"> • Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls 	<ul style="list-style-type: none"> • Council Plan • Medium Term Financial Strategy • Revenue budget process • Procurement Strategy • Contract Standing Orders • Annual Audit letter

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

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

The sub principles supporting this core principle are:

Sub principles	Actions Demonstrating Good Governance	How will this be evidenced
Implementing good practice in transparency	<ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<ul style="list-style-type: none"> • Council website • Digital Strategy
Implementing good practices in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way • Ensuring members and senior management own the results reported • Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations 	<ul style="list-style-type: none"> • Publication of Annual Report and Statement of Accounts on website • Annual Governance Statement produced and published on website • Local Code of Corporate Governance refreshed annually • Documents are scrutinised and approved by Directors Management Board, Cabinet and Licensing and General Purposes Committee prior to publication
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement 	<ul style="list-style-type: none"> • Statement of internal control • The Auditor Manager presents an annual report to Licensing and General Purposes Committee to inform members of Internal Audit activity that has taken place during the year • Annual Governance Statement produced and published on website • Rushmoor Strategic Partnership Sustainable

	<ul style="list-style-type: none"> Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met 	Community Strategy 2010-2026
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3. MONITORING AND REVIEW

- 3.1 The Council will monitor the arrangements set out in this Code of Corporate Governance for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date.
- 3.2 Each year the Council will publish an Annual Governance Statement, which will explain and assess how the Council has complied with this Code of Corporate Governance and provide details of how continual improvement in the system of internal control will be achieved.
- 3.3 The Licensing and General Purposes Committee has responsibility at Member level for reviewing this code on an annual basis. The Head of Paid Service has responsibility at officer level for reviewing the corporate governance arrangements and the Head of Paid Service and the Head of Democratic Services have responsibility for monitoring this Code of Corporate Governance. Further, the Licensing and General Purposes Committee generally considers all processes for risk, control and governance and provides independent, effective assurance about the adequacy of the Council's governance environment and is responsible for promoting and maintaining high standards of probity and conduct of Members and co-opted members.

4. INTERNAL AUDIT

Audit Requirements

- 4.1 Internal Audit provides an independent and objective appraisal function for reviewing the systems of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 In addition, local authorities are required to have an effective internal audit function under section 151 of the Local Government Act 1972. It states that authorities 'must make arrangements for the proper administration of their financial affairs'.
- 4.3 Internal Audit is also a requirement under the Accounts and Audit Regulations 2003. These Regulations require every local authority to maintain an adequate and effective internal audit function.
- 4.4 The work of Internal Audit complies with the Audit Practices Board's guidelines 'Guidance for Internal Auditor's', as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.
- The Head of Finance, who is also the Council's Section 151 Officer, is responsible for maintaining an adequate and effective system of internal audit, and in consultation with the Audit Manager determines the programme of audit work. Operational management of Internal Audit work is delegated to

the Audit Manager.

- 4.6 The Audit Manager reports to the Head of Finance, with audit reports also sent to Directors Management Board. Periodically the Audit Manager reports to the Licensing and General Purposes Committee.
- A key aspect to Internal Audit work is independence, and to ensure this is in place Internal Audit is a stand-alone unit. The Audit Manager also has the option, if necessary, of reporting directly to the Chief Executive or Licensing and General Purposes Committee.
- 4.8 The Audit Manager develops a risk based audit plan, which is agreed with the Head of Finance, Directors Management Board and considered by the Licensing and General Purposes Committee. This is regularly reviewed to ensure it supports the Council's strategic objectives, and covers any other issues such as internal investigations, Internet and e-mail monitoring, corporate work and day-to-day consultancy.
- 4.9 To ensure Internal Audit can effectively carry out their work all internal audit staff have the authority to:
- Access all Council premises, offices, land and outsourced sites at any time.
 - Access all Council and outsourced assets, records, documents, correspondence and control systems.
 - Receive oral or written explanations on matters under examination from any Council or outsourced employee
 - Require any Council or outsourced employee to produce and account for cash, stores or property, which belong to the Council and is under their control.
- 4.10 Internal Audit staff will audit, when required, unofficial funds. The definition of unofficial funds is: 'any fund associated with Council business, supervised or managed by Council staff, but which is not part of the Council funds or trust funds of the Council.' Prior to acting as a treasurer of unofficial funds, officers should consult with the appropriate Head of Service, Head of Financial Services or Director of Resources as appropriate.
- To carry out audits of unofficial funds Internal Audit staff have the authority to:
- Access all records, assets, documents and property relating to unofficial funds.
 - Require any employee holding unofficial funds to provide written or oral explanations.
- 4.11 At the conclusion of each audit, the Audit Manager will agree a report and actions with the relevant Head of Service. It is the responsibility of Head of Services to implement the agreed actions. Internal Audit will carry out a follow up audit, usually after 6 months, to assess the implementation of agreed actions.
- 4.12 Periodically, the Licensing and General Purposes Committee will receive an update report from the Audit Manager. This report includes an overview of all audit reports, agreed audit actions implemented and outstanding agreed actions.

4.13 The Directors Management Board and the Licensing and General Purposes Committee will consider corporate policies produced by Internal Audit.

5. EXTERNAL AUDIT

5.1 The Audit Commission is responsible for appointing external auditors in England and Wales.

5.2 The basic duties of the external auditor are defined in the Audit Commission Act 1998, and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties.

5.3 The Code of Audit Practice 2005 – for local government bodies sets out the role of external audit in the public sector as: ‘External auditors in the public sector give an independent opinion on public bodies’ financial statements and may review, and report on, aspects of the arrangements put in place by public bodies to ensure the proper conduct of their financial affairs and to manage their performance and use of resources.’

5.4 The Audit Commission appoints the external auditors.

5.5 The internal and external Audit Managers meet on a half-yearly basis to co- ordinate their work.

5.6 External audit reports are reported to Directors Management Board in appropriate cases. Reports from the Audit Manager to the Licensing and General Purposes Committee will include a list of external audits completed.

6. PREVENTION OF FRAUD AND CORRUPTION

6.1 All new employees receive an induction from Personnel Services and their line managers. This includes outlining Council Policies as listed in section 6 below.

6.2 Heads of Service are responsible for implementing and maintaining controls within their systems, which deter and identify fraud or corruption. As part of the annual audit plan internal audit staff review and report on these controls.

6.3 Heads of Service are responsible for the timely implementation of agreed actions identified during audits.

6.4 It is the responsibility of all employees to report suspected fraud or corruption to the Head of Finance, who will review the issue with the Internal Audit Manager. The Whistle Blowing Policy may apply to these reports and should be adhered to.

The Head of Finance and Internal Audit Manager will identify and undertake the appropriate action following such a report. This action will be promptly reported as appropriate.

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- 6.6 Internal Audit carries out all internal investigations.
- 6.7 The Audit Manager will work in close liaison with the Head of Finance (or in exceptional circumstances the Chief Executive) and the Monitoring Officer.
- 6.8 Where a fraud, theft or major irregularity is suspected the Audit Manager is entitled to exclude employees from their normal place of work for a limited period, but not in excess of 24 hours.
- 6.9 The Audit Manager can remove and provide safe custody of any material, which may be used as evidence in an investigation.
- 6.10 Internal Audit will keep records of investigation securely in accordance with the Council's Retention Guidelines.
- 6.11 The Audit Manager will report investigations to the Directors Management Board and the Licensing and General Purposes Committee.
- 6.12 Where appropriate the Directors Management Board will communicate to staff on cases of fraud and corruption to ensure that a high level of corporate governance is part of the organisation's culture.
- 6.13 Other Council policies and procedures related to the prevention of fraud and corruption are:-
- Anti-Fraud and Corruption Policy
 - Whistle Blowing Policy
 - Gifts and Hospitality Policy
 - Members Code of Conduct
 - Employee Code of Conduct
 - Electronic Data and Communications Policy.
 - Disciplinary Procedure

**LICENSING AND GENERAL PURPOSES COMMITTEE
26TH JUNE 2017****SOLICITOR TO THE COUNCIL
REPORT NO. LEG1710****ANNUAL GOVERNANCE STATEMENT 2016-2017****1 Purpose**

This report seeks comment upon the attached draft Annual Governance Statement (AGS) for the year 2016/17. The final version of the AGS will be brought to the September meeting of this committee for approval as the new Code of Corporate Governance needs to be adopted by Council, at its July meeting, before the AGS in its new format can be approved.

Recommendation

- the Annual Governance Statement attached at Appendix 1 be considered by the Committee; and
- Published with the Council's Statement of Accounts.

2 Background

- 2.1 The Accounts and Audit Regulations 2003 (as amended in 2006 and 2011) introduced the requirement for local authorities to:
- . Conduct at least annually a review of the effectiveness of its system of internal control.
 - . Prepare an Annual Governance Statement.
 - . Publish the Annual Governance Statement with the Statements of Accounts.
- 2.2 These regulations have now been replaced by the Accounts and Audit code of Regulations 2015, and regulation 6(1) continues the requirement to prepare an annual governance statement. CIPFA have also published a revised version of their framework document on preparing the Code of Governance entitled Delivering Good Governance in Local Government: Framework (2016 Edition).
- 2.3 A revised Code of Governance has been prepared to reflect this revised version, which is on the agenda for approval by this committee and recommendation for adoption by Council - item number..... The draft Annual Governance Statement has been prepared against this revised Code of Governance, rather than against the Council's current Code of Governance, which is why the committee are being asked to comment upon the draft statement. The final version will come to the September meeting of this Committee for approval as the revised Code of Governance will have been adopted by that stage.

3. Purpose of the Annual Governance Statement

- 3.1 The Regulations require Councils to ensure that their financial management is adequate and effective and there is a sound system of internal control. This facilitates the effective exercise of that Council's functions including the management of risk and review of performance management.
- 3.2 The system of internal control includes more than just the financial aspects of the Council's business. It includes matters such as the establishment and monitoring of objectives, the arrangements for decision-making and ensuring compliance with established policies.
- 3.3 The Annual Governance Statement should be considered by this Committee, and published alongside the Statement of Accounts by 30th June 2017. The Annual Governance Statement will be brought to this committee for final approval at its meeting of the 25th September.

4. Proposed Annual Governance Statement

- 4.1 The AGS has been prepared on the basis of new Code of Governance which is yet to be adopted by Council and is based on the 2016 framework document. There are now 7 principles to be considered as set out in the draft Code of Governance and also as referred to in the draft annual governance statement.
- 4.2 The Statement is required to include notification of any significant internal control issues and an action plan to address them. No significant issues have been identified. A number of actions for the current year are identified and will be addressed during the year.
- 4.3 The Leader of the Council and the Chief Executive are required to sign the Annual Governance Statement.

5. Review of Governance issues Identified in 2015/16 Annual Governance Statement

Governance Issues

1 Task: Communicating and monitoring the effectiveness of the Council's reviewed Anti-Fraud and Corruption Policy, Whistle Blowing Policy and Anti- Money Laundering Policies.

Update: The governance policies were communicated to staff via email when implemented. The method for monitoring of compliance with these policies will be considered by the Risk Management Group

2 Task: Review training programme on revised Contract Standing orders, to ensure that all contracting officers have attended training on the Contract Standing orders, procurement procedures and contracts register

Update: Complete all purchasing officers have completed the training. Further training being developed on purchasing off frameworks

3 Task: all new members are trained to the same standard as existing members on Revised Code of Conduct

Update: Training completed for all new Councillors

4 Task: Media guidelines for councillors

Update: In view of the increased use of social media for communications and engagement, the Council will consider adopting social media guidance for staff and councillors now that Digital Strategy is complete.

5 Task: Confidential Information Review- need for protocol

Update: - Review need for separate protocol or updating Officer/Member Protocol during 2016/17

6 Task: following review of Complaints Procedure staff to be advised of new procedures and policy to be disseminated.

Update: Directors Management Board and Senior Leadership Team briefed on policy and disseminated throughout staff structure and policy placed on council's website.

7 Task:- Transparency Code -complete the work required to comply with the Code of Recommended Practice of Local Authorities on Data Transparency Dec 2015 in relation to land ownership.

Update:-Code Registered Rushmoor Land and Building Assets is published on Data.Gov.uk and will be updated as further land is registered by the Legal service. <https://data.gov.uk/dataset/rushmoor-land-ownership-and-assets>. Audit due to do a review of Code compliance in current municipal year.

8 Task:- Equality Objectives Work towards "developing standard" of the Public Sector Equalities Duty across the Council

Update:- Initial review completed – further work needed.

9 Task: Fraud- Embed the new arrangement for investigating corporate fraud resulting from the transfer of the benefit investigation function to the DWP and monitor effectiveness

Update: completed – trial of two corporate investigation officers completed and reviewed by Cabinet in April 2017, and due to its success, roles made permanent.

10 Task: Project management- strengthening management and governance of projects associated with the 8-Point Plan, developing and implementing a programme of improvement for Capital Project Management and projects generally. In terms of capital projects, the Council considered an internal audit report in October 2015 for improvement and review by the Asset Management Group.

Update: A follow up on the recommendations made within the Capital Projects audit report is due to be carried out in the next 6 months to ensure that these have been picked up by the Asset Management Group.

11 Task: Peer Review- Respond to the findings of the Peer Challenge and agree and implement an action/ improvement plan.

Update: Key recommendations from the Peer Review have been incorporated into our DMB performance management and project governance processes.

12 Task: Scheme of Delegation review

Update: To be completed

13 Task: Risk Management- Review and update the Risk Management Policy and the Corporate Risks Register

Update: Policy under review. Cross service group of senior managers is working to update the Corporate Risk Register and risk policy, updating policies and procedures, holding risk workshops run by the Council's insurers and ensuring implementation of policies across the Council.. The Head of Financial Services will report on progress to Directors Management Board and the Licensing and General Purposes Committee during the current municipal year.

14 Task: - Training on new roles and responsibilities Licensing & General Purposes Committee following amalgamation

Update:- June 2016 L&GP received report alongside the draft Statement of Accounts to remind L&GP on their role and responsibilities around approval of the statements, providing members with the opportunity to discuss how they gain assurance and from what sources.

15 Task: - Review of Code of Governance to reflect the Delivering Good Governance in Local Government: Framework (2016 Edition

Update: – Review complete – new Code of Governance is on this agenda for approval by this committee and will then be adopted by Council

Further Information:

Ann Greaves
Solicitor to the Council
Tel: 01252 398600

Background information:

the Accounts and Audit code of Regulations 2015
CIPFA Guidance – Delivering Good Governance in Local Government 2016

1. Scope of Responsibility

- 1.1 Rushmoor Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.
- 1.3 The Council has established governance arrangements, which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Council Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance, which is publicised on the Council website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement.
- 1.4 . The Council meets the requirements of Regulation 6 (1)(b) of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control. It is subject to detailed review by the Licensing and General Purposes Committee when they consider both the draft and final Statement of Accounts and is approved by the Licensing and General Purposes Committee in advance of them agreeing the Statement of Accounts.
- 1.5 The Chief Financial Officer has responsibility for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972. The Council has designated the Head of Financial Services as the Chief Financial Officer. While this arrangement does not conform precisely with the requirements of the CIPFA Statement, it does not impact on the effectiveness of the Chief Financial Officer in undertaking her role. The Chief Financial Officer (the Head of Financial Services) :
- Is a key member of the leadership team, helping to develop and implement strategy and deliver the Council's strategic objectives sustainably and in the public interest
 - is actively involved in and able to influence all material business decisions in line with the Council 's financial strategy;
 - leads the whole Council in the delivery of good financial management;
 - directs a fit for purpose finance function; and
 - is professionally qualified and suitably experienced.
- 1.6 In addition, the Head of Financial Services, (the designated Section 151 officer) attends the Directors Management Board for any item that requires Section 151 Officer input. All Statutory Officers have regular 1:1 sessions with the Chief Executive.

1.7 The issues identified as significant governance issues and the progress made by management throughout the future financial year 2017/18 to address these issues will be reported regularly to the Licensing and General Purposes Committee with an assessment made in reducing the risk as part of their Governance role within the Council.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with, and leads the community, residents and service users. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds, which it is entrusted to spend.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically (i.e. so they deliver value for money – efficiently, effectively and economically).

2.3 The governance framework which has been in place at the Council for the year ended 31st March 2017 has seen reports submitted to the Licensing and General Purposes Committee on the progress made on issues identified in the previous Annual Governance Statement and any ongoing issues are identified for consideration in this Statement.

3. The Governance Framework

3.1 The Council is a Borough District, which was set up in 1974 combining the Urban Districts of Farnborough and Aldershot. The Council's strategic vision and corporate objectives, including financial self-sustainability, are set out in the Council Plan. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes and behaviours required to deliver good governance to all.

4. Communicating the Council's Vision

4.1 The Council's vision is "*Rushmoor Borough Council working with others to improve the quality of people's lives*" as set out in the Council Plan 2017/18. The Council Plan has been informed by the Rushmoor Strategic Partnership, a non-statutory, non-executive organisation working within the boundaries of Rushmoor, bringing together the skills of the public, private, voluntary and community sectors when working at a local level. The Council's Executive has during the course of the last year, undertaken a major review of the Council's priorities based on the concept of "*Listen, Learn and Deliver- Better*", leading to

the identification of four new priorities underpinning the Council's stated purpose. These are

- *Sustaining a thriving economy and boosting local business*
- *Supporting and empowering our communities and meeting local needs*
- *A cleaner, greener and more cultural Rushmoor*
- *Financially sound with services fit for the future*

4.2 These Priorities are underpinned by the 8-Point Plan for financial sustainability and by three key transformation projects: Organisational Development; Customer and Digital and Commercialism; and by the Council's Regeneration and Place Projects. The Council Plan sets out the key actions and activities that the Council will be pursuing to achieve these priorities. Regular monitoring reports to both Cabinet and Policy and Review Panels (scrutiny) will ensure performance is appropriately measured.

5. Key elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

5.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

5.1.1 The Council is managed by a cabinet system. The Council's Constitution sets out how it operates, how decisions are made (including Officers Delegated Powers contained in Part 3 of the Constitution) and the procedures followed to ensure that decisions are efficient, transparent and accountable to local people. Some of these procedures are statutory whilst other are discretionary in nature. The Constitution is divided into 16 Articles and sets out the detailed rules governing the Council's business. It is published on the internet at <http://www.rushmoor.gov.uk/article/3625/The-constitution>

5.1.2 The Council's Constitution details the role of the Policy and Review Panels performing scrutiny and overview functions. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.

5.1.3 The Head of Democratic and Customer Services, with advice from the Monitoring Officer keeps the constitution under review in order to ensure that the arrangements are up to date and compliant with the Council's legal duties. The Licensing and General Purposes Committee consider changes to the constitution prior to submission to Council for adoption.

5.1.4 The Solicitor the Council is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the Constitution. Heads of Service have the primary responsibility for ensuring decisions are properly made within the scheme of delegation at appropriate levels of responsibility.

5.1.5 The Council's Constitution contains a Code of Conduct for Councillors, which was reviewed in 2014 and contains the statutory code relating to disclosable pecuniary interests; requirements relating to the disclosure of non-pecuniary interests and sets out the expected behaviour and standards to be adhered to by Councillors. In addition, the Protocol for Member-Officer Relations, the Disciplinary Procedure, the Code of Conduct for Officers, the Whistle Blowing Policy and the Anti-Fraud and Corruption Policy set out the standards of service and conduct expected of employees. These policies have been added to the

Council's intranet and inserted into the Staff Handbook to increase awareness of their requirements. In order to enable third party challenge to Council operations there is a publicised complaints procedure, reviewed in 2016 to meet the Regulators Code and staff training has been undertaken on the revised procedure .

5.1.6 Complaints under the Code of Conduct for Councillors are initially assessed by the Monitoring Officer and the Chief Executive, following which, if appropriate, a panel of the Licensing and General Purposes Committee considers allegations of inappropriate behaviour by a Councillor. An Independent Person appointed under section 28 of the Localism Act 2011 provides appropriate scrutiny of the Council's Licensing and General Purposes Committee by sitting on the panel who hears any formal complaint. Reports for such hearings are produced by an independent investigator.

5.1.7 In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. The Council has a cross-party Member Development Group, appointed by the Cabinet, with responsibility for the strategic planning of councillors' learning and development activities. In December 2016, the Council was re-awarded the South East Employers Charter for Member Development, following an assessment of the Council's approach to councillors learning and development support. This included support to the Council's new Cabinet, joint development activities with other local authorities and organisations, one-to-one mentoring with new councillors, work to understand skills for future councillors and community leadership roles, and a varied and on-going programme of training activities including training on the code of conduct and for regulatory committees and hearings.

5.1.8 The current strategic plan for councillors' development includes the following:-

- Assessment of training needs
- Members Induction Programme – including code of conduct training
- Programme that supports Corporate priorities and objectives
- Range of training and delivery methods including one-to-one mentoring with new Members and those in new Cabinet roles
- Training for Regulatory roles, including licensing and development management
- Skills which support councillors community leadership roles
- Review of Members IT support

5.1.9 Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. Staff behaviour is covered by the Officers Code of Conduct which places duties on Officers to declare their standing interests or interests relating to matters as they arise. Both Members and Officers record any gifts and hospitality received in accordance with the Council's agreed procedure.

5.1.10 Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge which is essential in ensuring that the Council delivers its priorities, and will be vital in making both service changes and achieving financial sustainability. This is reflected in the Protocol for Member/Officer Relations which is part of the Council's constitution.

5.1.11 Appropriate briefings, supported by training from key officers and third parties to the Licensing and General Purposes Committee, are utilised to enhance the Governance Framework

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5.2 Principle B. Ensuring openness and comprehensive stakeholder engagement

5.2.1 The Council's annual Council Plan sets out the Council's vision and priorities, assimilating them into key actions with deliverable outcomes. This links the objectives through to the outcomes, identifying the service areas responsible; key milestones and performance indicators. The Council works closely with the County Council and other local public bodies, particularly the Enterprise M3 Local Enterprise Partnership, neighbouring authorities, and community and voluntary groups, via the Community Matters Partnership, to ensure effective delivery of its services.

5.2.1 The Council Leader, on an annual basis presents to full Council the forthcoming priorities of the administration. This is used to influence the policies and strategies produced by the Council.

5.2.2 Progress on delivering the Council Plan is communicated through a performance management framework. In 2016/17 Cabinet received 6 monthly reports on performance against the Council Plan and these will be considered quarterly from 2017/18. These reports focus on exception and corrective measures where key performance indicators have not been met. The Policy and Review Panel's provide the scrutiny function on delivering the Council plan.

5.2.3 In order to demonstrate its openness the Council also publishes:

- Its Pay Policy Statement to support the Annual Budget
- Its Constitution
- Council, Cabinet and Committee Reports
- Records of Executive Decisions
- Cabinet Work Plan
- Information required under the Transparency Code on the Data.Gov.uk website

5.2.4 All cabinet reports benefit from consideration by the Directors Management Board (DMB) and have Monitoring Officer and the Chief Financial Officer sign off before publication.

5.2.5 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted in April 2017 a Digital Strategy with a strong customer focus. This seeks to enable the delivery of the Council's work through the digital redesign of services around the customer experience to facilitate a "One Council Approach". This strategy requires the use of digital technologies to integrate front and back office systems and to join up customer contact(s). Analysis of customer data and interactions will be undertaken to gain insight and understanding of customer needs, enabling development of front office systems that can meet customer need. During 2016, the Council developed the "Love Rushmoor" mobile app to make reporting of issues simpler for residents.

5.2.6 The Council also uses traditional methods of communication with its residents such as Arena (the Council's magazine). The Council actively seeks the views of customers and staff through customer satisfaction surveys, community consultations, working with community groups, events and exhibitions, social media and through its web site. The Council has a walk in Customer Services Unit, where customers can seek advice and access services.

The Council promotes how people can have their say in a number of ways. It publicises individual consultations through traditional media (media, posters, flyers, exhibition boards,

etc.), email, social media and its website. The Council's Statement of Community Involvement advises as to how consultations are conducted.

5.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

5.3.1 The Council Plan is supported by the 8 Point Plan which is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9 million reduction in the budget. The 8 point plan will be supported by the Council's Transformation Programme which is to be monitored by the Programme Steering Group. Within the Transformation Programme programme will be 3 work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial- each led by a Senior Responsible Officer. Other major projects supporting the 8-point plan may fall under the Regeneration and Place programme or be held by services as part of their service delivery. Governance arrangements will be strengthened for all major projects via an improved traffic light system of highlight reporting and clear accountability.

5.3.2 In the past year, the Council has seen results from its 8-point plan, which has enabled it to strengthen its financial position and helped it to meet the pressures arising from future changes in central government funding, the economic climate and other known risks. The purchase of commercial property to increase rental streams to the Council has generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account). The increased focus on financial sustainability, via the Council's 8-point plan, the addition of more commercial income streams and greater communication of the financial position has seen a shift in culture throughout the organisation.

5.3.3 The Council continues to face significant financial challenges for the future and will continue with the financial strategy built around the Council's 8-point plan through the Transformation Programme, with the retention of sufficient reserves to support improvement and to mitigate fluctuations in income and expenditure, particularly from the operation of the business rates retention scheme.

5.3.4 Whilst operating within a constrained budget the Council Plan recognises the need to drive the regeneration of Aldershot and Farnborough Town Centres to deliver the environmental improvements, supporting the Town Centres. Financial resources have been committed to acquiring key properties in Union Street Aldershot Key Site to support the regeneration of Union Street which is unlikely to be achievable without Council intervention.

5.3.5. The Council has awarded its Waste, Recycling and Street Cleansing Contract commencing in August 2017 for a period of ten years to deliver high quality and best value services. This contract will deliver significant revenue savings on the current service which costs £4.5M per year. The Council will also provide a new depot to deliver the services from and to enable the development of a commercial portfolio to draw upon other revenue streams. The new service will have a comprehensive, integrated ICT solution which will also deliver a customer self- service portal, and integrations with existing Council systems such as the mobile app.

5.3.6 The Council's Procurement Strategy recognises the importance of ethics and sustainability with appropriate evaluation of supplier's proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring. In 2017 the Council arranged a Property Minor Works Framework, ensuring best value and enabling council work to be awarded to SME's as part of measures being taken the Council Plan to support SMEs.

5.3.7 The Council has further demonstrated its support of sustainability through an appropriate programme of self-financing capital investment in renewable energy projects in Council owned properties.

5.3.8 The employer supported volunteering scheme helps the Council's employees to volunteer with organisations to compliment the work of the Community Matters Partnership. From using existing skills, to taking on a new challenge, the scheme gives staff the time and support to try volunteering for 2 days per year for full time staff.

5.3.9 The Council aims to make risk management, integral to the governance arrangements in the Council and the risk register and risk monitoring report is considered by the Licensing and General Purposes Committee. Controls Assurance is an important part of the process to assure the Council that the identified risks are being properly controlled. This is carried out at periodic intervals by:

- the Licensing and General Purposes Committee;
- The Directors Management Board
- Heads of Service
- Head of Finance and Solicitor to the Council

The Council recognises that there is work to be done on a Risk Management Policy and the Council's Risk Management Group will be leading on this during the forthcoming year.

5.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

5.4.1 The Council's former Chief Executive retired in February 2017 and the new Chief Executive took up post in May 2017. The senior management structure of the Council was last reviewed in 2014/2015, which review resulted in the revised role of DMB to enhance its strategic role and to devolve operational issues to Heads of Service. The DMB consists of two Corporate Directors and the Chief Executive. Any further review of the role of the Directors and the Senior Management Team, other than minor changes, will take place as part of the Organisational Redesign and Cultural Change Project, set within the Transformation Programme.

5.4.2 Arrangements are in place to scrutinise decisions and an excellent relationship between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant parties at the right level of responsibility, ensuring all strategic decisions are led by Members. The implementation of the agreed policies at officer level is overseen by DMB which is supported by Senior Management Team.

5.4.3 In order to achieve its approach to maintaining financial sustainability over the medium – term as set out in the Council's Medium –Term Financial Strategy, the Council has set a budget for the financial year 2017/18 supported by an appropriate assessment of risk by the Head of Finance. The budget proposals were presented to business ratepayers

and voluntary sector organisations. The budget increases the council tax up to the maximum permissible level and reflects the expected growth in local business rates. The Council accepted the four-year settlement figure offered by government to aid financial planning, which figures confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus has also been sharply reduced. Key efficiencies and sustainability projects will be supported by continued use of the Service Improvement Fund and the Strategy for the Flexible use of Capital Receipts and driven by existing projects within the Council's 8-Point Plan. The savings requirement for current financial year (2017/18) is £550,000.

5.4.4 All key decisions to be taken by Cabinet are included in the Cabinet Work Programme, which is published and available to the public. Executive decisions taken under delegated powers, by either officers or individual Cabinet members, are recorded and are available for viewing on the Council's website.

5.4.5 The Licensing and General Purposes Committee is an essential part of good governance. This committee was formed from an amalgamation of the Licensing and General Purposes Committee and the Standards and Audit Committee from the start of the 2016/17 municipal year, following a recommendation from the Council's external auditors to improve the oversight and consideration of governance issues associated with internal control, risk management and financial reporting. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2015/16. Internal and External Audit both have direct access to and support the Licensing and General Purposes Committee. The detailed matters reviewed by the Licensing and General Purposes Committee were:

- Treasury Management matters including Council borrowing;
- Earmarked Reserves;
- Future Internal and External Audit Work
- The findings of both External and Internal Audit on control matters
- The Statement of Accounts for 2015/16 and associated external audit findings.

Scrutiny of budget matters falls within the remit of the Corporate Services Policy and Review Panel. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

5.4.6 The Licensing and General Purposes Committee is also responsible for councillor conduct issues. The Monitoring Officer and Chief Executive conduct an initial assessment into complaints under the Members Code of Conduct, with hearings being held before 3 members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate matters are reported and considered by full Council.

5.4.7 All Heads of Service prepare Service Plans that contain key actions and performance targets necessary to deliver the objectives of the Council.

5.5 Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.

5.5.1 To support the achievement of its strategic priorities, the Council is committed to ensuring it has the right people with the right skills, and is undertaking a skills audit. The broader development and the corporate needs of the Council's staff were considered and prioritised by the Senior Management Team in September 2016 resulting in a Learning and

Development programme for 2017/18 based on the needs of staff, the Council and project work linked to the Council's 8-Point Plan on financial sustainability. The programme covers Digital and Social Media ; Commercial skills and Political Skills, supported by working differently and learning from each other; leadership and management skills ; project and programme management and understanding and working with the community.

5.5.2 This programme is supported within a performance framework covering all officers, including a Development Review system with targeted, relevant training. The Human Resources Policy and Procedures setting out the appointment process are transparent. There are regular team meetings, and one to ones within services to support staff. The Council implements the national agreement on pay and conditions of service. The Council has achieved its commitment to pay the Foundation Living Wage for all staff other than casual staff. The Council provides an Employee Assistance Programme to assist staff in balancing the pressures of work with the needs of home life, including a confidential telephone service. The Council, acting through its Chief Executive, provides regular staff briefings and a weekly newsletter.

5.5.3 The Council has a protocol for Member / Officer Relations which ensures an understanding between elected members and officers of their respective role and that a shared understanding of these roles and objectives is maintained.

5.5.4 Delegated decisions for all matters are publically available on the internet.

5.5.5 To support decision making the Council works with its Partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Certain key partners such as partner Housing Associations and the North East Hampshire and Farnham Clinical Commissioning Group, who provide essential Council Services, are subject to independent oversight by Policy and Review Panels.

5.6 Principle F – Managing risks and performance through robust internal control and strong public management

5.6.1 The Chief Executive of Rushmoor Borough Council is the Head of Paid Service and is part of the Directors Management Board (DMB) and Senior Management Team (SMT). Cabinet portfolios are assigned on a functional basis and subject to appropriate officer support.

5.6.2 As part of the budget process opposition parties have the facility to prepare alternative proposals under the procedure in the Budget and Policy framework which forms part of the constitution.

5.6.3 The Head of Finance is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided direct, and work towards Public Sector Internal Audit Standards. The Head of Internal Audit (HIA) reports to the CFO and has unfettered access across the organisation, including to the Chief Executive, the Board and the chair of Licensing and General Purposes Committee. The HIA attends Directors Management Board on a regular basis to provide updates against the audit plan, to raise awareness of risk and present the audit opinion.

5.6.4 The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with good

practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability. In October 2015, a review was carried out to determine the need for anti-fraud and investigatory resources within the Council, within the Benefits arena but also wider across the organisation. As a result, two Corporate Investigation Officer roles were introduced on a trial basis to support the need for the Council to maintain adequate investigative capacity in a period of financial constraint, provide a deterrent to committing fraud and use their unique investigative skills to support a number of key organisational priorities. The Cabinet reviewed the outcomes of the trial period in April 2017, and due to its success made the roles permanent.

5.6.5 The Licensing and General Purposes Committee has responsibility for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting processes and the Annual Governance Statement. In addition, the Licensing and General Purposes Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies. The Council's policy on risk is under review and will set out the Council's overall approach to managing risk. A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy, updating policies and procedures, holding risk workshops run by the Council's insurers and ensuring implementation of policies across the Council. The Council's Corporate Health and Safety Officer attended training on Risk Management in May and is co-ordinating the approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to Directors Management Board and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan which was reviewed during 2016/17.

5.6.6 Each year new Members of the Council are inducted prior to the Council's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Council. All Statutory Officers receive training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

5.6.7 The Cabinet meets on a monthly basis at set times to consider key matters including those on performance and risk. All reports contain a section advising on risks. Matters are published in the Cabinet Work Plan to enable the public to be aware of future decisions. In the event of an urgent item requiring a decision not published in the Cabinet Work Plan, the agreement of the Chair of the relevant Policy and Review Panel must be obtained to exempt the decision from agreed scrutiny protocols. Arrangement for Urgency and Exceptions are set out in the appendix to the Access to Information Procedure Rules in Part 4 of the Council's Constitution.

5.6.8 In addition to the [quarterly] performance reports, there are quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. The annual budget is supported by the Head of Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the out-turn of the Council and are prepared in accordance with professional standards and subject to external audit.

5.6.9 In order to demonstrate robust internal control the Council has:

- A cross-service group of senior managers is working to update the Corporate Risk Register and risk policy,
- An appropriate suite of Anti-Fraud and Corruption Policies;
- Assurance provided by the Head of Internal Audit through the Audit Opinion
- Assurance provided via the external auditor's Annual Audit Results Report
- A balanced budget supported by appropriate reserves
- Licensing and General Purpose Committee supported by an Independent Member

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

5.7.1 The Council is proactive in engaging with residents and other key stakeholders whose views are reflected in the refreshed Council Plan. In 2016/17 after engaging and communicating with key stakeholders, the Council formed a cross party group, the Aldershot Regeneration Task Force, to drive forward the regeneration of the town centre. Aldershot is a Step-up Town for the sub region and the Council, and partners, including the Enterprise M3 Local Enterprise Partnership, is working to secure a growth package of investment for the town.

5.7.2 As part of the Transparency Agenda the Council agreed to publish Senior Officer salaries over £50,000 and invoices over £250 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Council is attentive to the need to meet wider social and economic objectives whilst achieving value for money (VfM). The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2017/18 to further support the Council's preference for openness and transparency.

5.7.3 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA). 5.7.4 External Audit is provided by Ernst & Young LLP, utilising the contracts initially let by the Audit Commission. Management of contracts with audit firms for the delivery of external audit services to local public bodies is now held by Public Sector Audit Appointments Limited (PSAA). The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

Partnership Arrangements

5.7.4 The Council delivers its CCTV service, Community Safety service and its Building Control Service in partnership with Hart District Council with shared funding. The review of the effectiveness of the system of internal control of these Partnerships will be subject to review in this municipal year.

Risks on Significant Projects

5.7.5 The Council has some significant projects which are included in the capital programme. These may require considerable levels of one-off funding from the Council. The Council has now utilised the bulk of its capital receipts to support the capital programme, much of which will be funded by borrowing in forthcoming years, with consequential effects on the

revenue budget in terms of borrowing costs and minimum revenue provision. Affordability of the programme is addressed via the Annual Treasury Management Strategy and the Prudential Indicators for Capital Financing.

Given the complexity of some projects, particularly the Town Centre regeneration projects, there remains an on-going risk in respect of the long-term financial commitments arising from these projects. The Head of Finance considers this financial risk as part of the Medium Term Financial Strategy and the budget report. Individual reports to support investment in projects have been prepared in 2016/17 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.

5.7.6 The issues on both partnership risk and project risk have been incorporated into this governance statement where necessary.

5.8 Review of Effectiveness

5.8.1 The Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and comments made by the External Auditors and other review agencies and inspectorates.

5.8.2 The Council Plan and objectives are established for 2017/18 through an updated Business Planning process and a refresh of the Council Plan, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and transformation of services, where the most significant savings may be made. That is developed in tandem with the Annual Budget Cycle, Efficiency Plan, and the Medium Term Financial Plan (MTFP), underpinned by adequate reserves to support financial resilience.

5.8.3 An internal audit programme is undertaken, which in the current year has focused on key items of risk in the Audit Plan. The risk universe has been updated to show auditable areas as at January 2017 and the risk criteria have been reviewed to ensure the capture of all relevant areas to be considered in determining the level of risk exposure within an auditable area. Internal Audit reports to the Licensing and General Purposes Committee in relation to the Audit plan, progress against the plan, the audit opinion on the system of internal control and any risk issues. A new rolling audit plan has been developed for 2017/18, with quarterly updates to both Directors' Management Board and the Committee.

5.8.4 An external audit of the accounts year ending 31st March 2016, undertaken by Ernst and Young LLP, was reported to the Licensing and General Purposes Committee in September 2016, which provided an Unqualified Opinion that the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended. External audit attend the Committee on a regular basis to discuss the external audit plan, progress against the plan, audit fees and the Audit Results Report. In May 2017 L&GP received an audit report from External Audit advising that the progress of the Council against the PSIAS self-assessment should be reported within the Annual Governance Statement as well as the revised future reporting lines of the Audit team. The Audit team now report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, the Leadership team and the chair of Licensing and General Purposes Committee. In addition, Ernst and Young provide updates on key risks for local government, enabling the

committee to be sited on wider risks affecting the sector and prompting discussion and consideration of how those risks are managed at Rushmoor.

6. Significant Governance Issues

6.1 The Annual Governance Statement identifies the following governance issues and major risks for the Council. These are:

2016/17 Issues

GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Media guidelines for councillors	In view of the increased use of social media for communications and engagement, the Council will consider adopting social media guidance for staff and councillors. Current guidance and protocols will be updated during 2017/18-	Corporate Communications Manager
Confidential Information	Review need for separate protocol or updating Officer/Member Protocol	Monitoring Officer
Equality Objectives	Work towards “developing standard” of the Public Sector Equalities Duty across the Council	Corporate Director
Risk Management	Review and update the Risk Management Policy and the Corporate Risks Register	Head of Financial Services
Review of Policy and Review Panels	Review the number and terms of reference of the panels	Corporate Director
Review of Partnership working arrangements	Review the governance of CCTV; Community Safety and Building Control Partnerships	Head of Financial Services
EU General Data Protection Regulation	Review and prepare for changes to the data protection regime	Deputy Monitoring Officer
Risk of non-delivery of key projects (to meet Council’s aims and its future financial sustainability)	Embed new governance processes for Transformation Programme and Regeneration and Place work stream, including full project scoping (robust cost estimates, benefit identification, resourcing requirements) and updated highlight reporting methodology	Corporate Directors
Asset Management Strategy	Adopt Asset Management Strategy	Solicitor to the Council

7. Summary

7.1 The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our residents and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Council's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.