



RUSHMOOR BOROUGH COUNCIL

LICENSING AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on
Thursday, 24th May, 2018 at 7.00 pm*

To:

Cllr J.E. Woolley (Chairman)
Cllr Jacqui Vosper (Vice-Chairman)

Cllr Sue Carter
Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr Liz Corps
Cllr A.H. Crawford
Cllr A.J. Halstead
Cllr B. Jones
Cllr Marina Munro
Cllr M.D. Smith

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 – (Pages 1 - 6)**

To confirm the Minutes of the Meeting held on 9th April, 2018 (copy attached).

2. **SEX ESTABLISHMENT FEES AND CHARGES – (Pages 7 - 12)**

To consider the Head of Environmental Health and Housing's Report No. EHH1812 (copy attached) which recommends new fees and charges for the licensing of sex establishments.

3. **TERMS OF REFERENCE AND WORK PLAN 2018/19 – (Pages 13 - 22)**

To consider the Head of Financial Services' Report No. FIN1818 (copy attached), which sets out revised Terms of Reference for the Committee and a proposed work programme for 2018/19.

4. **INTERNAL AUDIT - AUDIT OPINION – (Pages 23 - 32)**

To consider the Audit Manager's Report No. AUD1803 (copy attached) which sets out the self-assessment exercise against the Public Sector Internal Audit Standards and the Quality and Assurance Improvement Plan for 2018/19.

5. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 33 - 52)**

To receive the Audit Manager's Report No. AUD1802 (copy attached), which sets out the audit work carried out in Quarter 4 and the overall deliverables for 2017/18.

6. **ANNUAL GOVERNANCE STATEMENT – (Pages 53 - 54)**

To consider the Solicitor to the Council's Report No. LEG1802 (copy attached), which seeks approval of the Council's Annual Governance Statement 2017 – 2018. The Committee is also being asked to agree to the publication of the Governance Statement alongside the Council's Statement of Accounts.

7. **STATEMENT OF ACCOUNTS 2017/18 - ROLES AND RESPONSIBILITIES – (Pages 55 - 80)**

To consider the Head of Financial Services' Report No. FIN1819 (copy attached), which sets out the Committee's duties and responsibilities in respect of the annual Statement of Accounts. A draft copy of the Statement of Accounts will be presented at the meeting.

8. **APPOINTMENTS – (Pages 81 - 90)**

(1) **Outside Bodies –**

To consider the appointment of representatives to outside bodies. A list of those bodies on which the Council is represented, which includes details of proposed nominations for 2018/19, is attached.

(2) **Appointments and Appeals Panel –**

To confirm the Members of the Appointments and Appeals Panels for the 2018/19 Municipal Year on the basis of four Members (Proposed: 1 Con: 1 Lab: 1 Independent and a representative of the Cabinet).

(3) **Licensing Sub-Committee –**

To confirm the Members of the Licensing Sub-Committee for the 2018/19 Municipal Year on the basis of five Members (Proposed: 3 Con: 2 representatives of other groups).

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

To confirm that the Head of Democratic and Customer Services is authorised to make appointments from the membership of the Licensing and General Purposes Committee in accordance with the procedure agreed by the Committee at its meeting on 21st May, 2009 and detailed in the Licensing Sub-Committee (Alcohol and Entertainments) Hearings Protocol and Procedure.

PUBLIC PARTICIPATION AT MEETINGS

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

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LICENSING AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 9th April, 2018 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr A. Jackman (Chairman)

Cllr Sue Carter
Cllr Liz Corps
Cllr A.H. Crawford
Cllr B. Jones
Cllr S.J. Masterson
Cllr M.D. Smith
Cllr L.A. Taylor
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr J.E. Woolley and Cllr Sophia Choudhary.

42. MINUTES

The Minutes of the Meeting held on 29th January, 2018 were approved and signed by the Chairman.

43. EXTERNAL AUDITOR - AUDIT PLAN - UPDATE

The Committee welcomed Andrew Brittain and Justine Thorpe from Ernst & Young who presented the company's External Audit Progress Report, which summarised the work undertaken since the meeting of the Committee in January 2018.

The Committee was advised that the interim audit had been performed in February and that work had been commenced on two value for money risks: delivery of a sustainable medium term financial strategy; and, the effectiveness of the Council's risk management framework.

The year-end audit was due to commence on 25th June, 2018. In advance of this visit the external auditors would be meeting with Finance staff on 26th April, 2018 to discuss their detailed working papers request to help ensure that the audit could commence promptly on the agreed date.

The progress report also set out key messages for the Council in respect of the earlier timetable for accounts production and audit completion for 2017/18.

RESOLVED: That the External Audit Progress Report be noted.

44. **EXTERNAL AUDITOR - LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING PAPER**

The Committee received Ernst & Young's Local Government Audit Committee Briefing, which covered Government and economic news, accounting, auditing and governance, regulation news and key questions for the audit committee.

RESOLVED: That the Local Government Audit Committee Briefing be noted.

45. **ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED 2017/18**

The Committee considered the Head of Financial Services' Report No. FIN1813, which provided an update on the introduction of International Financial Reporting Standard (IFRS) 9, the new accounting standard relating to financial instruments, including investments that will apply to local authorities for the 2018/19 financial year and onwards.

One of the key impacts of IFRS9 would be that, while many local authority loans and investments would continue to be held at amortised cost, gains and losses arising from changes in the fair value of some categories of investment would have to be recognised in the Council's revenue account. This meant that, from 2018/19, changes in the value of certain investments would have a consequential impact on the general fund. Previously, such changes would only be recognised in the revenue fund when the asset was sold. The introduction of IFRS9 to local authority accounting had the potential to cause major fluctuations in the Council's net budget requirement and could result in a negative impact on council tax payers, as reserves would have to change to reflect any unrealised losses or gains.

While there was potential for the Government to introduce a statutory override, which would negate this effect, consultation on such proposals had yet to be issued.

Arlingclose, the Council's Treasury Management advisers, had advised that, when first adopting IFRS9, the Council could irrevocably elect to account for individual investments as "equity instruments" at fair value through other comprehensive income (FVOCI), which was very similar to the current available for sale accounting. Investments purchased after the transition to IFRS9 might also be elected to FVOCI upon acquisition.

Taking the proposed action would ensure that movements in the fair value of the Council's strategic pooled fund investments would not be taken to the revenue account after the application of IFRS9, thereby providing the Council with some certainty over the treatment of the assets specified in the election and would mitigate the risk that a statutory override might not be implemented.

Members discussed the potential size of the impact on the general fund if IFRS9 were to be introduced with no statutory override and without the election to treat as FVOCI. Clarification was also provided that there was no cost to making the election. Members were supportive of the approach outlined in the Report.

RESOLVED: That approval be given to the irrevocable election to treat the Council's strategic pooled funds as "equity instruments" at fair value through other comprehensive income (FVOCI) on 1st April, 2018, as set out in the Head of Financial Services' Report No. FIN1813.

46. **REVIEW OF GOVERNANCE STRUCTURE**

The Committee considered the Head of Democratic and Customer Services' Report No. DEM1803, which proposed changes to the decision making structure.

The Report advised the Committee of the background to the review, which included: the new political leadership which was focusing on delivering a wide range of priorities through its Council Plan; the results of a recent Peer Challenge Review, which had recommended a change in approach to scrutiny and overview; and, changes to internal working arrangements and restructuring of the organisation.

In undertaking the review of the governance structure, Members had been consulted and research had been undertaken on the way in which other organisations undertook their overview and scrutiny and policy development work. The following objectives had also been used to develop a new structure and working arrangements:

- re-working the Cabinet portfolios to secure a more even spread of responsibilities
- providing a focus for the delivery of the Council Plan and Member priorities
- streamlining and re-working the policy and review panel structure to provide clarity for scrutiny and policy development
- establishing opportunities for Members to develop their roles

In respect of Cabinet working arrangements, the Report advised that the portfolios would be reviewed and this would be finalised by the Leader of the Council. Under the proposed new structure, working/standing groups would report to the Cabinet (e.g. Budget Strategy Working Group, Member Development Group, Community Cohesion Group, Elections Group). The Cabinet was keen to establish some roles that would provide development opportunities for Members who were not on the Cabinet. It was proposed that Cabinet Champions could be used to work on a particular area or project that did not fall within an existing portfolio. These would reflect certain priorities within the Council Plan. There would be a maximum of three Cabinet Champions per year to be reviewed annually by the Cabinet and appointed by the Leader.

In respect of the Council's work on scrutiny, it was proposed that one committee should be established to drive the scrutiny process, concentrating on performance, progress chasing and pre-decision scrutiny of items on the Cabinet Work Programme. The committee would consist of eleven Members with a Chairman and two Vice-Chairmen who would provide active support to the Chairman by chairing

task and finish groups and co-ordinating the work. Task and finish groups would be established to carry out specific areas of scrutiny identified by the committee and would consist of Members drawn from all Council Members who were not on the Cabinet. The Chairman and Vice-Chairmen would be required to undergo training for chairing meetings and managing the scrutiny process.

In respect of developing policy, it was proposed to set up a Policy and Project Advisory Board which would look at a range of priorities, policy and project areas that would then report to the Cabinet or potentially to the full Council. The Board would consist of eleven non-executive Members and a Chairman and two Vice-Chairmen. The Vice-Chairmen would lead specific projects and chair task and finish groups, working in a similar way to the Vice-Chairmen on the Overview and Scrutiny Committee. Task and finish groups would be established to carry out specific areas of work (eg Aldershot Regeneration, Farnborough Regeneration, Leisure Contracts) and would include membership from across the Council, including Cabinet Members.

The Report set out the proposed new decision making structure for the Council (Appendix 1). As a result of the proposed new structure, a significant number of changes would need to be made to the Constitution and the main changes were set out in the summary list (Appendix 2) and accompanying papers (Annexes 1 – 6). In addition, the opportunity had been taken to include a number of updates to the provisions. In accordance with Standing Order 29, the proposed changes to the Council's Standing Orders for the Regulation of Business (Annex 4 to Appendix 2) would stand adjourned at the Council Meeting on 19th April, 2018 until the Annual Meeting on 22nd May, 2018 when it would also be necessary to waive the Council Procedure Rules for the changes to be made at the Annual Meeting.

Changes proposed to the internal structure of the organisation would also have an impact on the Cabinet portfolios and some aspects of the Constitution, including the Scheme of Delegation and the Cabinet Procedure Rules. The Chief Executive would be submitting his report on Rushmoor 2020, setting out the proposed new internal structure, in May, 2018. The Leader of the Council would also be determining the new portfolio arrangements and a report on this would be submitted to the Cabinet early in the 2018/19 Municipal Year. It was proposed that the consequential changes to the Constitution should be agreed by the Chief Executive and the Head of Democratic and Customer Services in consultation with the Portfolio Holder for Corporate Services and the Chairman of the Licensing and General Purposes Committee.

As a result of the new structure, some changes would have to be made to the Calendar of Meetings and the proposed draft was set out in the Report (Appendix 3).

The Report advised the Committee that, given the significance of the proposals, there were implications for the Members' Allowances Scheme. Therefore, arrangements had been made to constitute the Independent Remuneration Panel to review the Scheme, including the provision of Special Responsibility Allowances for the Chairmen and possibly for the Vice-Chairmen of the Overview and Scrutiny Committee and the Policy and Project Advisory Board. The Independent Remuneration Panel would also be asked to review the IT/Telecommunications

Allowance and the impact of the new General Data Protection Regulations regime. It was anticipated that the report from the Panel would be available in May, 2018.

It was further proposed that there would be a training session for all Members on how the new structure would work in practice and the outcomes of the review by the Independent Remuneration Panel.

The Report concluded by stating that it was felt that the new structure would provide a more modern approach that reflected the Council's priorities and operating arrangements. The proposed new structure would also provide Members with opportunities to develop new roles and specialise in areas of interest. The new structure would be kept under review and the arrangements for this would be discussed with Members through the Member Development Group.

During discussion, Members raised questions regarding: the appointment of Members to and political balance of the Overview and Scrutiny Committee and the Policy and Projects Advisory Board; Cabinet Champions; the potential for greater involvement of all Members; administrative support for the new structure; and, the use of the quarterly monitoring report and the Corporate Risk Register as key drivers in the work programme for the Overview and Scrutiny Committee. A question was also raised regarding whether the new decision making structure should wait until further details were available on the Cabinet portfolios and the internal structure of the organisation.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that:
- (a) the proposed changes to the decision making structure, as set out in the Head of Democratic and Customer Services' Report No. DEM1803, be endorsed;
 - (b) the changes to the Constitution set out in Appendix 2 (incorporating Annexes 1 – 6) to the Report be approved; and
 - (c) the Chief Executive and the Head of Democratic and Customer Services, in consultation with the Corporate Services Portfolio Holder and the Chairman of the Licensing and General Purposes Committee, be authorised to make any further consequential changes to the Constitution resulting from these proposals, the Leader of the Council's decision on portfolio responsibilities and the outcome of the internal review of the structure of the organisation; and
- (ii) **RESOLVED:** That the Head of Democratic Services, in consultation with the Chairman of the Committee, be authorised to make any minor changes to the Report to the Council on 19th April, 2018.

NOTE: In accordance with Standing Order 29, the changes to the Council's Standing Orders for the Regulation of Business (Annex 4 to Appendix 2) will stand adjourned at the Council Meeting on 19th April, 2018 until the Annual Meeting on

22nd May, 2018 when it will also be necessary to waive the Council Procedure Rules for the changes to be made at the Annual Meeting.

The meeting closed at 8.05 pm.

CLLR A. JACKMAN (CHAIRMAN)

LICENSING & GENERAL PURPOSES COMMITTEE

24TH MAY 2018

ENVIRONMENTAL HEALTH & HOUSING SERVICES

REPORT NO. EHH1812

SEX ESTABLISHMENT FEES & CHARGES

SUMMARY AND RECOMMENDATIONS

Following legislative changes, case law developments and a challenge to existing fee level arrangements this report recommends new fees and charges for the licensing of sex establishments.

The recommended fees take account of all recoverable costs following a comprehensive review of the officer time and work involved in the administration and enforcement of the licensing regime concerned.

Members are asked to approve the revised fees and charges set out at **Table 1** to this report to take effect from 1st June 2018.

1. BACKGROUND & INTRODUCTION

- 1.1 Historically, discretionary licensing fees and charges (including sex establishment fees) have been reviewed on an annual basis using a percentage uplift based on changes in Council costs and the annual rate of inflation. However, the annual determination of these charges was put on hold in 2010 following a legal challenge on implementation of the Provision of Services Regulations 2009 (POSR09).
- 1.2 These Regulations, which themselves implement the European Services Directive (EUSD) 2006/123/EC, state that licensing authorities must not charge fees that exceed the actual costs of a relevant authorisation process. Specifically, fees for in-scope authorisations (including sex establishment fees) must be reasonable and proportionate to, and must not exceed the cost of the procedures and formalities concerned.
- 1.3 Collectively, these provisions have presented problems for many local authorities as sex establishment fees have historically been set at a high level by taking account of both administrative, enforcement and other costs. These fee levels have subsequently been challenged in the Courts, most recently and most notably by a group of sex establishments in Westminster (see *R (on the application of Hemming t/a Simply Pleasure Ltd and others) v Westminster City Council [2017]*). This has provided the leading case in this area and established a number of fee setting principles, outlined at **appendix A**.

1.4 Applicability to Rushmoor Borough Council

- 1.5 On the basis of POSR09, Darker Enterprises Ltd (DEL) (the only remaining sex establishment on district) has sought to contest sex establishment fees which they consider excessive whilst the leading case on this matter has transitioned through the Courts to its conclusion. Relevant correspondence to this effect was received by the Council in 2011 and 2013. DEL have also made enquiry as to our review of fees each year since on annual renewal of their licence. Currently, sex establishment licensing fees stand at £6,925 for first time grant and £3,200 on renewal.
- 1.6 In November 2016, Cabinet approved a new process for the annual review of the Council's fees and charges, introducing a Fees and Charges booklet which shows current and proposed fees and the methodology for reviewing each type of fee or charge. The review process, first reported in November 2017 in the Head of Finance's Report FIN 17 35, is designed to link to the Council's Medium Term Financial Strategy, contribute to its budget planning process, reduce administration and facilitate better transparency and a robust methodology for reviewing fees. The review process will commence September each year with the intention to implement revised fees from the 1st April each year.
- 1.7 Due to the complexities of regulating legislation, a number of chargeable areas were (and continue to be) subject to detailed review (including Licensing) and were not subject to proposed fee changes at this time. As the Council's Licensing service provides a range of chargeable functions, a report on the wider review of Licensing fees and charges will be put before Members for scrutiny and approval in due course (estimated in September).
- 1.8 However, following the legislative changes, case law developments and a challenge to the Council's existing fee levels for sex establishment licences, the fees for this licensing regime have been subject to an expedited and detailed review. This has since concluded and these are now subject to Member scrutiny and approval.
- 1.9 Notably, Regulation 2(6)(e) of the Local Authority (Functions & Responsibilities) (England) Regulations 2000 specifically precludes the setting of Licensing fees as a function of the executive; effectively placing responsibility for the determination of Licensing fees and charges on the Licensing & General Purposes Committee. This report is therefore brought before Members of the Committee for determination of the proposed fees and charges.

2. DETAILS OF THE PROPOSAL(S)

2.1 General

- 2.2 It is proposed that the fees and charges set out in **Table 1** below take effect from 1st June 2018.

Table 1 – Current and proposed fees for Sex Establishments licensing

Service	EUSD scope Y/N	Unit	Charge from 01.04.17 (£)	Recommended charge from 01.06.18 (and percentage change on current charge)		Methodology in reviewing the charge	VAT Indicator *
				Application fee	Maintenance fee		
Sex establishments licence (<i>New</i>)	Y	per application	£6,925	£1115 (- 83.9%)	£0 (+/- 0%)	As above	O/S
Transfer of sex establishments licence	Y	per application	£6,925	£1115 (- 83.9%)	£0 (+/- 0%)	As above	O/S
Sex establishments licence (<i>Renewal</i>)	Y	per annum	£3,200	£270 (- 91.6%)	£0 (+/- 0%)	As above	O/S

*O/S – Outside scope

2.3 Methodology of calculation

2.4 The proposed fees have been derived following a comprehensive review of the recoverable cost elements and work involved in the administration and enforcement of the licensing regime concerned. For reasons outlined below, licensing administration and compliance work has been specifically accounted for separately.

2.5 In summary, the proposed fees take account of the officer time taken to process each individual authorisation type. This will include, where appropriate, additional elements to cover time spent by the licensing service on related matters (e.g. for process escalation, reports and policy development etc).

2.6 This is multiplied by the average hourly rate for a member of the Licensing service. The hourly rate is inclusive of employer on-costs, support costs, management expenses, office accommodation and corporate policy allocation. Where appropriate, supplies and services costs are also added; covering cost centre expenditure budgets and supporting services costs. In addition, where stocked and/or of significance, the cost of materials (e.g. secure licence certificates) are also taken into account.

2.7 Collectively, these cost factors accord with Local Government Association (LGA) guidance on locally set licence fees. The proposed licence fees have been established using the number of relevant licence applications received in 2016/17 (as the last available full years accounts at the time of writing) as a proxy reference year.

3. RELEVANT CONSIDERATIONS

3.1 Legal Considerations

3.2 Provisions for sex establishment licensing are set out in Schedule 3 of the Local Government Miscellaneous Provisions Act 1982 (LGMP82). Paragraph 19 of this schedule sets out the associated fee charging provisions and states that an applicant for the grant, renewal or transfer of a licence shall pay a reasonable fee determined by the appropriate authority.

- 3.3 On the face of it, this provides wide ranging discretion of what may be taken into account and the level of fees that can be set. However, these provisions must also be read in conjunction with several Court cases which have also established various principles by which discretionary fees should be set, managed and / or used. These are collectively summarised in **appendix A** for reference.
- 3.4 As an in-scope authorisation scheme, these provisions must also be read in conjunction with the aforementioned POSR09 and EUSD Regulations. These state that licensing authorities must not charge fees that exceed the actual costs of a relevant authorisation process and do not exceed the cost of the procedures and formalities concerned (i.e. must be reasonable and proportionate).
- 3.5 Further and on conclusion of the leading case in this area last year, it is also now clear that these Regulations also effectively require the Council to disaggregate its administrative and enforcement costs. This is so as to establish a distinction between the fee charged to deal with any application for a licence and any further fee(s) to maintain the licence (i.e. to cover post licence regime running and enforcement costs). In practice, this means that in-scope authorisation processes must be subject to separate –
- (a) application fees - which must not exceed the cost of the application procedures and formalities concerned; and
 - (b) maintenance fees - which may be charged following the grant or renewal of any in-scope authorisation for the subsequent running and enforcement costs of the licensing regime concerned.

3.6 Specific sex establishment licensing regime considerations

- 3.7 The proposals provide for a notable reduction in sex establishment licence fees in relation to new applications, renewals and transfers. This takes account of the limited resources that the Council generally commits to this particular licensing function. Whereas, there is just one licensed sex establishment on district which has hitherto been subject to few complaints and/or compliance issues. Indeed there were no interventions necessary during the proxy reference year. Fees may of course be adjusted should additional compliance work be required in to the future.

3.8 Consultation Considerations

- 3.9 Whilst some licensing regimes require fees set by the Council to be subject to public consultation, there are no such consultation requirements as regards the setting of sex establishment fees.

3.10 Financial and Resource Implications

- 3.11 Using the proxy reference year as a comparator, the proposed fees and charges would result in an annual reduction of income by £2,930. However, as the number of licence applications may vary year on year, this figure could change into the future.

4. CONCLUSIONS

- 4.1 Following legislative changes, case law developments and a challenge to existing fee level arrangements, sex establishment licensing fees and charges have been subject to a full and comprehensive review. Taking account of LGA guidance and the principles established by case law developments, this has resulted in a marked reduction in the proposed licence application fees and charges as outlined in this report. These however also take account of the limited resources that the Council generally commits to this particular licensing function.
- 4.2 As there are no specified public consultation requirements and given an outstanding challenge to current fee levels, the report sets out proposed adoption of the revised fees and charges by 1st June 2018. Sex establishment fees will be reviewed again in accordance with the recently established corporate process and timetable.

BACKGROUND

DOCUMENTS: - None

CONTACT DETAILS:

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SUMMARY OF CASE LAW CONCERNING SETTING OF DISCRETIONARY LICENSING FEES

SUMMARY OF CASE LAW CONCERNING SETTING OF DISCRETIONARY LICENSING FEES	
Case Reference	Established principle(s)
R v The Greater London Council ex parte The Rank Organisation (1982)	<ul style="list-style-type: none"> ➤ The level of fees is a matter of policy so long as the total fee income does not exceed the cost of the licensing system.
R v Manchester City Council ex parte King (1991)	<ul style="list-style-type: none"> ➤ Licence fees must not be used as a means of raising revenue. ➤ Council's must carry forward surpluses or deficits.
R v Westminster City Council ex parte Hutton (1985)	<ul style="list-style-type: none"> ➤ It is permissible for Council's, when considering the level of fees, to be guided by a policy that the ratepayers should, so far as is reasonable, be relieved of the burden of paying the costs of licensing administration. ➤ Council's are free to fix fees reflecting all the necessary elements on a rolling basis without adjusting surpluses and deficits in each year. Shortfalls in one year must be carried into the next year's accounts.
R v Tower Hamlets London Borough Council ex parte Tower Hamlets Combined Traders Association (1994)	<ul style="list-style-type: none"> ➤ Council's may recoup in one year the losses (deficits) which had accumulated over a period of years. ➤ Council's have a duty to administer its funds so as to protect the interests of the body of the council tax payers.
R (on application of Cummings et al.) v Council of the City and County of Cardiff (2014)	<ul style="list-style-type: none"> ➤ Councils must have regard to and/or account for any surplus or deficit generated in previous years. ➤ Councils must keep separate accounts for different licence types ➤ Councils must ensure that any surplus or deficit identified under each part of the licensing regime is only applied to the part of the system from which it has been raised/lost. ➤ Councils must ensure that any surplus from one licensing regime shall not to be used to subsidise a deficit in another.
R (on the application of Hemming et al.) v Westminster City Council (2017)	<ul style="list-style-type: none"> ➤ EUSD precludes a requirement for the payment of a fee, at the time of submitting an application for the grant or renewal of authorisation, part of which corresponds to the costs relating to the management and enforcement of the authorisation scheme concerned, even if that part is refundable if that application is refused. ➤ Under the Provision of Services Regulations 2009, only the costs of dealing with the application process for grant or renewal of a licence, permit etc can be charged for upfront. ➤ The costs of enforcement against both licensed and unlicensed operators is chargeable; but the costs of enforcement can only be charged for (i.e. on maintenance) once the licence has been granted. ➤ The interest due on any overcharging must also be part of any redetermination. ➤ Councils must carry forward surpluses/deficits each year when setting the fees for the following year.

TERMS OF REFERENCE AND WORK PLAN 2018/19

SUMMARY AND RECOMMENDATIONS:

SUMMARY: This report provides an opportunity for the Licensing and General Purposes Committee to review its Terms of Reference in respect of its governance, risk and audit functions and to set an indicative annual work programme for this area of the Committee's work.

RECOMMENDATIONS:

Members are requested to:

- (i) Consider the contents of this report, the revised Terms of Reference and proposed work plan and
- (ii) recommend that Council approve the changes to the constitution set out at Appendix A

1 INTRODUCTION

- 1.1 The Licensing and General Purposes Committee forms a key part of the Council's governance framework, which has been enhanced by the absorption of the duties of the old Standards and Audit Committee. This brought together responsibility for risk and governance issues, including both internal and external audit matters, allowing the Committee to make an important contribution to ensuring that effective assurance arrangements are in place.
- 1.2 The purpose of this part of the Committee's responsibilities is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 1.3 Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of the organisation. The role of the Committee does not remove responsibility from senior managers and Members but provides an opportunity and resource to focus on these issues and thereby provide a high-level resource to support good governance and strong public financial management.
- 1.4 Given the importance of the Committee's role, it is appropriate to review the Terms of Reference from time to time to ensure that core functions are reflected. Note that this is not a review of the wider functions of the Committee, but only those relating to governance, risk and audit.

2 CORE FUNCTIONS

2.1 The core functions of the Committee in this area are to:

- ❖ be satisfied that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives
- ❖ in relation to the council's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
- ❖ consider the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the Council's exposure to the risk of fraud and corruption
- ❖ consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- ❖ support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process
- ❖ review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

2.2 The Committee also supports the Council by undertaking a wider role in other areas including reviewing and monitoring treasury management arrangements in accordance with *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (CIPFA, 2017).

3 CHARACTERISTICS OF A GOOD AUDIT COMMITTEE

3.1 The Committee carrying out this audit function should demonstrate the following characteristics:

- ❖ a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role
- ❖ a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
- ❖ a strong independently minded chair – displaying a depth of knowledge, skills and interest including;
 - promoting open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants

- an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
- ❖ unbiased attitudes – treating auditors, the executive and management fairly
- ❖ the ability to challenge the executive and senior managers when required

4 DISCHARGE OF RESPONSIBILITIES

4.1 To discharge its responsibilities effectively the Committee should:

- ❖ meet regularly – at least 4 times a year
- ❖ be able to meet privately and separately with the external auditor and with the head of internal audit
- ❖ include as regular attendees, the Chief Financial Officer (CFO), the Chief Executive, the head of Internal Audit and the appointed external auditor. Other attendees may include the Monitoring Officer (for Standards issues). These officers should also be able to access the Committee, or the Chair, as required.
- ❖ have the right to call any other officers of the Council as required
- ❖ annually assess their performance and report on their work to those charged with governance

5 MEETING THESE RESPONSIBILITIES

- 5.1 The Licensing and General Purposes Committee has been on a journey over recent years, expanding and improving its key governance role for the Council. The Committee has widened its duties to include those previously held by the Standards and Audit Committee and to encompass the scrutiny of treasury management arrangements. More recently, it has reviewed the Council's revised approach to risk management and approved a new template for the Corporate Risk Register.
- 5.2 Training for Members has been arranged for both its audit activities and its treasury management role, led by the external auditors and the Council's independent Treasury Advisors. In addition, the external auditors have advised the Committee of their local workshops where Committee chairs can share best practice and discuss relevant issues and supply quarterly sector briefings to the committee to prompt discussion on upcoming issues.
- 5.3 Cyclical reporting has now been introduced for risk management and additional information has been supplied to the Committee in recent months covering the work of Public Sector Audit Appointments Ltd, who have reported on the results of auditors' work in 2016/17 and have consulted on audit fees for 2018/19. Other work received in the past year has included:

Internal audit

- ❖ Rolling audit plan and review of the risk universe
- ❖ Regular audit updates on progress against the audit plan
- ❖ Progress against compliance with the Public Sector Internal Audit Standards (PSIAS)
- ❖ A Quality Assurance and Improvement Plan

External audit

- ❖ Audit plan
- ❖ Progress updates against the audit plan
- ❖ Audit Results Report 2016/17
- ❖ Annual Audit Letter

Finance

- ❖ Review of accounting policies and materiality levels
- ❖ Consideration of International Financial Reporting Standards not yet adopted
- ❖ Roles and Responsibilities in respect of the Statement of Accounts
- ❖ Approval of the Statement of Accounts

Other governance matters

- ❖ Approval of the Annual Governance Statement
- ❖ New Overview and Scrutiny arrangements

5.4 Planned improvements for the coming year are;

- ❖ to incorporate reporting of the work of the Council's Corporate Investigation Team into the quarterly internal audit updates.

The Council took the decision to retain a corporate resource to focus on fraud and investigation, after a successful pilot exercise, following the absorption of Housing Benefit fraud work into the Single Fraud Investigation Service under the Department for Work and Pensions. The team carry out extensive data matching exercises through the National Fraud Initiative, monitoring areas such as Single Person Discount for Council Tax. Additionally, they investigate Council Tax Support, alleged Business Rates avoidance, Social Housing Fraud (in partnership with local Registered Housing Providers) and work with the DWP on benefit fraud. Recently the team participated in a successful prosecution for fly tipping

- ❖ that the internal audit updates will report on progress against actions within the Annual Governance Statement throughout the year, alongside progress on compliance with PSIAS and the Quality Assurance and Improvement plan
- ❖ to carry out an annual self assessment of the Committee's effectiveness
- ❖ to report annually on the work of the Committee

5.5 A proposed work programme for 2018/19 is set out at Appendix 2.

6 CONCLUSIONS

- 6.1 The work of the Licensing and General Purposes Committee forms a key element of the Council's corporate governance framework. It is important that its Terms of Reference adequately reflect the core responsibilities of the Committee and are periodically reviewed against current best practice.

BACKGROUND DOCUMENTS:

Audit Committees/Practical guidance for Local Authorities and Police (CIPFA, 2018)

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)

CONTACT DETAILS:

Amanda Fahey - Head of Financial Services/Chief Financial Officer

Amanda.Fahey@Rushmoor.gov.uk

01252 398440

Licensing and General Purpose Committee – Terms of Reference

To replace section headed Finance and Audit Powers and Responsibilities under Part 3 – Responsibility for Functions, Licensing and General Purposes Committee.

Governance, Risk and Control

- 15 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 16 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 17 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 18 To monitor the effective development and operation of risk management in the Council.
- 19 To monitor progress in addressing risk-related issues reported to the Committee.
- 20 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 21 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 22 To monitor the counter-fraud strategy, actions and resources.
- 23 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- 24 To approve the internal audit charter.
- 25 To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 26 To approve significant changes to the risk-based internal audit plan and resource requirements.
- 27 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations, in respect of carrying out internal audit work.

APPENDIX 1

- 28 To consider reports from the head of internal audit on internal audit's performance during the year including:
 - a. Key findings, issues of concern and action in hand as a result of internal audit work
 - b. Regular reports on the results of the Quality Assurance and Improvement Plan and any non-compliance with Public Sector Internal Audit Standards (PSIAS).
- 29 To consider the head of internal audit's annual report, including;
 - a. The statement on the level of conformance with PSIAS
 - b. The Quality and Assurance Improvement Plan
 - c. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 30 To receive summaries of any specific internal audit reports as requested.
- 31 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
- 32 To provide free and unfettered access to the Committee chair for the internal audit manager, including the opportunity for a private meeting with the Committee.

External Audit

- 33 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 34 To consider the external auditor's annual audit letter, annual audit results report and other relevant reports.
- 35 To consider the scope and depth of external audit work and ensure it provides value for money.
- 36 To commission work from internal and external audit.

Financial Reporting

- 37 To review the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
- 38 To consider the external auditor's report to those charged with governance on any issues arising from the audit of the accounts.

Accountability arrangements

- 39 To carry out an annual self-assessment in relation to the effectiveness of the Committee in meeting its purpose.
- 40 Where considered appropriate report, to report to Council on any issues concerning the effectiveness of the arrangements in place for governance, risk, and internal control frameworks.

Work Programme 2018/19

May 2018

- Work Programme/Terms of Reference
- Annual Governance Statement
- Draft Statement of Accounts and reminder of Committee's role in respect of
- Internal Auditor's Report and Opinion including PSIAS review and Quality and Assurance Improvement Plan for 2018/19
- Internal audit update
- External Audit Briefing

July 2018

- Management Representation Letter
- Statement of Accounts
- External Audit - Audit Results Report
- Internal Audit update – update on Q1 and expected deliverables for Q2 & Q3
- Treasury Management Outturn Report
- External Audit Briefing
- Performance Monitoring Process

September 2018

- Treasury Management mid-year report
- Risk Management
- Annual Audit Letter

November 2018

- Treasury Management mid-year report (if not Sept)
- Internal Audit update – update on plan delivery to date and expected deliverables for remainder of Q3 & Q4
- External Audit Briefing

January 2019

- External Audit Plan
- Treasury Management Strategy
- Accounting Policies and Related Matters
- Follow up to Audit Result's Report (if required)
- Certification of Claims and Returns Annual Report
- External Audit Briefing

March 2019

- External Audit Progress Report
- Internal Audit Plan 2019/20
- Review of effectiveness
- Risk Management

Scheduled training

17th May 2018

- Effective Audit Committees – delivered by Justine Thorpe, Ernst & Young LLP – External Auditors

14th June 2018

- Treasury Management training and Q&A session - delivered by David Green, Arlingclose Ltd – Treasury Management Advisors

INTERNAL AUDIT – AUDIT OPINION**Summary:**

This report sets out the Internal Audit coverage, findings and performance for 2017/18 and presents the Audit Manager's overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment.

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

Recommendations:

Members are recommended to note the contents of the report, including the audit opinion, note the self-assessment exercise against the Public Sector Internal Audit Standards and endorse the Quality and Assurance Improvement Plan for 18/19.

1 Introduction

1.1 The Accounts and Audit Regulations (2015) require that:

“2(3) A relevant authority must ensure that it has a sound system of internal control which –

- a) Facilities the effective exercise of its functions and the achievement of its aims and objectives.*
- b) Ensure that the financial and operational management of the authority is effective, and*
- c) Includes effective arrangements for the management of risk.*

2(5) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

1.2 Furthermore, with effect from 1st April 2013 the Public Sector Internal Audit Standards (PSIAS) with the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.

1.3 In accordance with the above requirements, the Audit Manager is required to report, on an annual basis, on the overall adequacy and effectiveness of

Rushmoor Borough Council's framework of governance, Risk Management and control.

- 1.4 In order to fulfil this requirement, this report will cover:
- The internal audit coverage, findings and performance for 2017/18
 - An overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control
 - The result of the Public Sector Internal Audit Standards (PSIAS) self-assessment for 2017/18.
 - The Quality Assurance and Improvement Plan (QAIP) for the internal audit service for 2018/19.

2 Audit work for 17/18

2.1 The audit plan for 2017/18 was agreed by the Licensing and General Purpose Committee on the 27/3/17.

2.2 12 audits were originally planned to be completed within 17/18 in order to contribute to the audit assurance opinion.

2.3 Due to the following additional higher priority work being identified within 17/18

- Card Payments
- IT Equipment
- Investigation into potential data breach

The following lower priority audits were dropped from the plan in order to free up audit days:

- Planning Applications
- Weekly refuse and recycling contract
- Financial borrowing.

2.4 Furthermore, an audit from the 16/17 plan, Activation Aldershot, which had not progressed sufficiently at the end of last year, for an assurance opinion to be issued, has now been fully completed and so is also relied upon for the 17/18 opinion.

2.5 At the time of determining the audit assurance opinion only 10 audits were used. One audit, the Depot, is currently still a work in progress. Therefore, no opinion can be given for this area as yet. This audit will be carried forward into the 2018/19 audit plan to provide an assurance in 2018/19. One audit is currently at draft report stage but has some queries with the findings from the contract auditor and therefore needs to be further reviewed prior to an assurance opinion being given on the area.

2.6 6 follow-ups on recommendations made within previous audits were also carried out in 17/18 to ensure that recommendations are implemented in a timely manner.

Audited area	Completed	Underway	Outstanding
HMRC – IR35 requirements	5	2	-
External Tenants	7	-	2
Capital Projects	-	4	1
Farnborough and Aldershot Markets	4	1	-
Community Assets	4	2	-
IT Network Security	1	3	-

3 Audit Opinion

3.1 An assurance opinion on the adequacy of the system of internal control has been given to each audit assignment completed in 17/18. *See appendix A*

3.2 There are 5 categories of assurance that can be given:

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

3.3 In assessing the level of assurance to be given for 17/18, the opinion is based on:

- All audits undertaken in 17/18
- The result of any follow up action carried out in 17/18, in respect of previous audit work
- Any significant recommendations not accepted by management and the potential consequences.
- NFI fair processing checks

- Participation on a working group to develop and improve risk management throughout the Council
- Participation on a working group to incorporate the requirements of the General Data Protection Regulation (GDPR) across the organisation.

3.4 The Audit Manager is required in her capacity to provide an annual assurance opinion of the Council's adequacy and effectiveness of governance, risk management and control. However, it should be noted that the assurance can never be absolute, as audit cannot review every decision and transaction of the Council. Therefore, only a reasonable opinion can be provided that there are no major weaknesses in the Council's risk management, control and governance processes based on the systems audited and any reliance placed on other sources of assurance.

3.5

Opinion of the Audit Manager
<p>I am satisfied that sufficient internal audit work has been undertaken to allow a reasonable opinion to be given on the adequacy and effectiveness of the Council's risk management, control and governance processes.</p> <p>Using the information outlined within this report, in my professional opinion a reasonable assurance on the effectiveness of the Council's risk management, control and governance for 17/18 can be given.</p> <p>However, there are a few areas noted where action will enhance the adequacy and effectiveness of governance, risk management and control. These include:</p> <ul style="list-style-type: none"> • Rolling out of the reconstituted risk management process across the Council. • Incorporating the requirements of the General Data Protection Regulation (GDPR) within all areas of the Council. • Development of an Asset Management strategy • Improvement of the implementation of audit recommendations made. <p>It should be noted that these issues have already been recognised by Managers and they are working to address them.</p>

4 Public Sector Internal Audit Standards (PSIAS) Self-assessment

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

4.2 A self-assessment against the standards for 17/18 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below along with a comparison of the compliance in 16/17:

	Compliant			
	Yes	Partial	No	N/A
2016/17	278 (83%)	30 (9%)	16 (5%)	12 (3%)
2017/18	285 (85%)	27(8%)	12 (3.5%)	12 (3.5%)

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

4.3 The table above shows that in 2017/18 some work was undertaken in order to try and further achieve compliance towards the standards. This included:

- Communicating the external assessment and Quality Assurance and Improvement Plan (QAIP) to the Committee in 2017/18.
- Considering an ethical audit within the 2018/19 audit plan.
- Reporting on the non-compliance of the standards to the Committee in 2017/18.
- Considering areas from the PSIAS to be included within the annual governance statement.

4.4 The quality assurance and improvement plan in section 5 will look to address some of the non-compliance and partial compliance over the next financial year, taking in to account the resources available.

5 Quality Assurance and Improvement Plan (QAIP)

5.1 The work carried out in 2017/18 towards the QAIP has resulted in the overall non-compliance being reduced by 1%.

5.2 The QAIP for 2018/19 should further reduce non-compliance, with the planned update of the internal audit charter, risk management review and carrying out an ethics audit.

5.3 The full QAIP is set out in Appendix C.

6 The Annual Governance Statement

6.1 The Annual Governance Statement (AGS) is produced annually and published alongside the Council's Statement of Accounts in July. It shows

how the Council has complied with its Code of Corporate Governance and reports on the governance framework in place at Rushmoor.

- 6.2 The Auditor's Opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes is required to be considered ahead of the AGS as it provides underlying assurances key to that statement.
- 6.3 The Auditor is required to consider whether there are any governance issues that should be raised within the AGS. It is recommended that the progress towards the roll out of the reconstituted risk management process be reported within the AGS as well as the progress on incorporating the GDPR requirements within all areas of the Council. Furthermore, the progress towards developing an Asset Management Strategy should also be mentioned.

Nikki Hughes

Internal Audit Manager

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References: *Public Sector Internal Audit Standards (2013)*

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

Appendix A

Audits	Assurance
FMS and Bank reconciliation	Reasonable
Purchase Ledger	Queries on findings at draft report stage
NNDR Billing and Collection	Substantial
Payroll	Substantial
Purchase of property and land	Limited
Contract letting and tendering	Reasonable
Transparency Code	Limited
Cyber Security	Reasonable
Activation Aldershot (carried forward from 16/17)	Reasonable
Card payments	Reasonable
IT Equipment	Limited
Depot (Capital Programme)	Work in Progress

Compliance with the Public Sector Internal Audit Standards – 2017/18

	Standard	Yes	Partial	No	N/A	Total	% Non compliance
1	Definition of Internal Audit	3	0	0	0	3	0%
2	Code of Ethics	13	0	0	0	13	0%
3	Attribute Standards						
3.1	Purpose, Authority and Responsibility	3	19	1	0	23	4%
3.2	Independence and Objectivity	24	1	2	3	30	7%
3.3	Proficiency and Due Professional Care	21	0	0	0	21	0%
3.4	Quality Assurance and Improvement Programme	25	2	0	0	27	0%
4	Performance Standards						
4.1	Managing the Internal Audit Activity	43	3	1	0	47	2%
4.2	Nature of Work	24	0	7	0	31	23%
4.3	Engagement Planning	55	0	0	3	58	0%
4.4	Performing the Engagement	22	0	0	0	22	0%
4.5	Communicating Results	46	2	1	6	55	2%
4.6	Monitoring Progress	4	0	0	0	4	0%
4.7	Communicating the Acceptance of Risks	2	0	0	0	2	0%
	Total	285	27	12	12	336	4%

QAIP for 2018/19

Action	Audit days	Changes to standard compliance
Update the internal audit charter to include relevant elements	4 days	s.3.1 Action would move 19 partials and 1 non-compliance to full compliance
Update the internal audit policies and procedures	6 days	s.4.1 Action would move 2 partial and 1 non-compliance to full compliance
Include an ethics audit within the audit plan.	25 days	s.4.2 Action would move 3 non-compliance and 1 partial compliance to full compliance
Include a risk management audit within the audit plan.	25 days	s.4.2 Action would move 4 non-compliance to full compliance
Prioritise recommendations in audit reports according to risk	Minimal	s.4.5 Action would move 1 partial compliance to a full compliance
When issuing engagement results to external auditors ensure that the limitations on distribution and use of the engagement results is communicated.	Minimal	s.4.5 Action would move 1 non-compliance to a full compliance
TOTAL	60 days	

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LICENSING & GENERAL PURPOSES COMMITTEE
24TH MAY 2018

AUDIT MANAGER'S
REPORT NO. AUD1802

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 4 and an overview of the work delivered for 2017/18.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 4.
- ii. Note the overall deliverables for 2017/18.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit for quarter 3.
- An overview of the audits completed for 2017/18 inline with the agreed audit plan.

2 Resources

2.1 The resources within the internal audit team have altered through out 2017/18. An Audit Manager was permanently appointed in September 2017. The newly appointed Audit Manager is currently on maternity leave and an interim cover for this position was in place.

2.2 At the end of March, the interim Audit Manager found alternative work leaving the post vacant. Contractors continue to be utilised to provide assistance for the delivery of the Internal Audit Plan.

3 Audit work – Q4 17/18

3.1 The following audit work has been carried out within quarter 4:

Work	Status
FMS and Bank reconciliation	A reasonable assurance opinion has been given to this area. Findings are detailed within appendix A.
Purchase Ledger	This audit is still at draft report stage as some queries have been identified with the findings within the report, which need to be reviewed further prior to providing an assurance opinion within this area.

NNDR Billing and Collection	A substantial assurance opinion has been given to this area. Findings are detailed within appendix A.
Payroll	A substantial assurance opinion has been given to this area. Findings are detailed within appendix A.
IT Equipment	A limited assurance opinion has been given to this area. Findings are detailed within appendix A.
Community Asset follow up	A follow up was carried out on the recommendations made from the Community assets 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 . Findings are detailed within appendix A.
IT Network Security follow up	A follow up was carried out on the recommendations made from the IT network security audit carried out in 2016/17. The findings from the follow up result in a reasonable assurance remaining . Findings are detailed within appendix A.
Parking Machine Income follow up	This follow up was deferred until 2018/19 to allow for the new parking machines to be in place.
Depot (Capital project)	This audit is still in progress and will be carried forward to be completed within 2018/19.

3.2 Other deliverables:

Internal Audit have provided input and advice as part of the Risk Management Group which is overseeing the reconstitution of the Council's risk management processes and development of strategic and operational risk registers.

Input has also been provided to continuing work to ensure that the Council is set up to comply with the new General Data Protection Regulations (GDPR), which replaces the existing Data Protection Act from May 2018.

An investigation into allegations of a potential breach of data was also undertaken which concluded that there was no evidence that a breach by Council staff had occurred.

4 Overview of audit work carried out in 2017/18

4.1 The following audits and follow up's have been carried out within 2017/18:

Audit/ follow up	Assurance
FMS & Bank Reconciliation (Key financial system)	Reasonable
Purchase Ledger (Key financial system)	Draft report stage
NNDR Billing & collection (Key financial system)	Substantial
Payroll (Key financial system)	Substantial
Purchase of land & property	Limited
Contract letting & tendering	Reasonable
Transparency code	Limited
Cyber security	Reasonable
Card payments	Reasonable
Activation Aldershot (C/f from 2016/17)	Reasonable
IT portable equipment	Limited
HMRC follow up	Limited
External tenants follow up	Reasonable
Capital projects follow up	Reasonable
Farnborough & Aldershot markets follow up	Substantial
Community Assets follow up	Reasonable
IT network security follow up	Reasonable

5.2 From the table above the following audits/ follow up's were added to the 2017/18 audit plan during the year.

Audit/ follow up	Reason for adding to the audit plan
Card payments	This was reviewed as a result of a customer complaint received.
IT portable equipment	Concern was raised as to the asset management of IT portable equipment.
IT network security follow up	Follow up missed off of the original plan.

5.3 It was originally thought that the following audits could also be carried out within 17/18:

Service	Audit/ follow up	Notes
Planning	Planning applications	No concerns have been raised in this area.
Community	Weekly refuse and recycling collection contract	The waste contract has recently been renewed. Therefore, deferring this review until the next financial year would allow time for the contract to be fully implemented prior to review.
Finance	Financial borrowing	The risk associated with this area would be low as the current level of borrowing is minimal and has only recently been utilised.

However, due to resource limitations, as detailed in section 2, and the additional higher risk audits and follow ups being carried out within 2017/18 as detailed above in 5.2, these were not commenced.

- 5.4 It should be noted that sufficient audit coverage has still been achieved within 2017/18 to enable the Audit Manager to provide an overall assurance opinion (AUD 18/03 report)

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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>

Internal Audit – Update report, presented to the Committee on the 26th June 2017

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MId=256&Ver=4>

Internal Audit – Update report, presented to the Committee on the 25th September 2017

<https://democracy.rushmoor.gov.uk/documents/s2990/September%202017%20-%20Audit%20update.pdf>

Internal Audit – Update report, presented to the Committee on the 29th January 2018

<https://democracy.rushmoor.gov.uk/documents/s3505/Item%207%20Internal%20Audit%20update.pdf>

Appendix A

Audit Title	Financial Management System (FMS) & Bank Reconciliation	
Year of Audit	2017/18	
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 findings	There continues to be sound controls in place in respect of the Council's FMS and bank reconciliation. Recommendations have been made relating to the improvement of documented procedures, budget monitoring and strengthening user access management processes. Two recommendations from the previous audit review remain outstanding in respect of streamlining supporting records to the system and bank reconciliations and Managers complying with the need to provide notifications of internal staff changes that may affect system access requirements.	
Priority	Key findings	Way forward agreed
Low	<p>Security of Data All manual files are held in filing cupboards which are lockable however there is no system in place for locking these at night and holding the keys elsewhere.</p>	<p>This has been reviewed as part of the corporate GDPR project and a key safe with combination lock has now been introduced in the department.</p> <p>The Finance Manager is responsible for ensuring relevant staff have the code for the safe and are locking filing cabinets each evening.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>
Medium	<p>Procedures Currently procedures are in place for some of the key functions such as bank reconciliations but not for others, such as VAT.</p>	<p>Review procedures and ensure key processes are documented</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>
Medium	<p>Review of Integra Users There is no formal review of Integra users to check whether access still required or set at the appropriate level.</p>	<p>Investigate the possibility of designing a Crystal report to pick up user, authorisation limits and menu access for annual review by Heads of Service</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>

Medium	<p>System Access A user authorisation form signed by the relevant Head of Service was not on file in all cases to support the current list of users. The form had not been subject to revision for some time and did not reflect current access levels available on the system.</p>	<p>Form to be updated for future use Ensure signed form on file for all users</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)/ Morag McVey (Payments & Insurance Manager)</i></p>
Low	<p>System Access The User Authorisation form completed by Heads of Service is outdated and does not reflect current user access rights available in Integra.</p>	<p>User Authorisation forms to be updated in line with current user access rights.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>
Low	<p>Miscoding of VAT The VAT accountant, in the main, takes responsibility for correcting VAT miscoding rather than passing back to the service to rectify.</p>	<p>Where appropriate, provide feedback to managers where miscoding takes place to aid their understanding.</p> <p><i>Officer responsible: Rebecca Caldicott (Accountant)</i></p>
Low	<p>VAT Some services use standard templates, which may be pre-populated with the incorrect codes, for raising regular invoices and this may be the cause for the incorrect coding of VAT.</p>	<p>Accept risk. Monitor for error and feedback to Manager as appropriate.</p> <p><i>Officer responsible: Rebecca Caldicott (Accountant)</i></p>
Medium	<p>VAT Procedure Notes There are no documented procedure notes regarding the monthly check of VAT codes using the Crystal report and one Accountant has expert knowledge regarding all matters relating to VAT.</p>	<p>Procedure notes to be written. Another accountant to be trained to shadow the VAT return process and the monthly check.</p> <p><i>Officer responsible: Rebecca Caldicott (Accountant)</i></p>
Low	<p>Holding Accounts One holding account selected for review had not been signed off at year-end.</p>	<p>All holding Accounts to be subject to sign off</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>

Low	<p>Suspense Account Balance Suspense account 9336 contains a number of historic balances which are unlikely to be cleared.</p>	<p>Aged, unidentified items should be cleared. However, this will not improve accuracy of budget monitoring as it is unlikely that we can now identify the correct coding for these balances. All new suspense items are cleared on a regular basis to the correct codes.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)/ Morag McVey (Payments & Insurance Manager)</i></p>
Medium	<p>Timeliness of Reconciliations Three out of eight reconciliations between April and December 2017 had been undertaken in excess of 20 working days after the last day of the previous month end and one independent sign off had taken place 34 days after the reconciliation.</p>	<p>Timing of reconciliations to be reviewed – major reconciliations to be identified and carried out in a timely manner (two weeks) but balance risk of accuracy against size of account/scale of risk. Recognition that some quarters may have other work pressures, and a longer time-frame may be acceptable, however final quarter always to be completed in a timely manner for final accounts deadline.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>
Low	<p>Budget Monitoring There is currently no standard format for Budget Managers and Accountants to follow during their monitoring meetings or a template that needs to be completed/ signed to demonstrate that specific requirements have been met and any errors identified and amended.</p>	<p>All Budget Holders are supplied with budget monitoring reports and salary data in the same format. Heads of Service agree final reports at CLT. Longer term project to automate part of the monitoring process could contain some sort of sign off process and standardised working but this is not a priority for the service given the low level of risk.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>

Previous audit recommendation	<p>Supporting Records Some progress has been made to streamline the reconciliation supporting records to electronic format, although there remains scope in this area, primarily for cash receipting and bank reconciliations.</p>	<p>Low risk level – not high priority for the service.</p> <p><i>Officer responsible: Alan Gregory (Finance Manager)</i></p>
Previous audit recommendation	<p>Staff Changes Service managers were not always notifying the Payments and Insurance Manager of staff changes which affected their system access.</p>	<p>HR provide a list of starters and leavers/changes to the Payment and Insurance Manager who then takes appropriate action</p> <p><i>Officer responsible: Morag McVey (Payments & Insurance Manager)</i></p>

Priority key for way forwards	
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	NNDR Billing and Collection	
Year of Audit	2017/18	
Assurance given	Substantial - <i>Key controls designed to achieve the system/function/process objectives are in place. There are opportunities to enhance/strengthen these controls.</i>	
Overview of findings	<p>A substantial assurance audit opinion reflects that the system continues to operate effectively with sound controls in place. This encompasses key areas such as annual billing, collection of monies owed, refunds, reconciliations and submissions to Central Government.</p> <p>The NNDR processes are in the early stages of a 'systems thinking' review and processes and procedures will be updated to reflect the outcomes of this.</p> <p>The systems thinking approach has also recently been applied to the inspections process to ensure that they are effectively focussed and risk-based so that income is maximised for the council. The review has just been completed and the updated approach is ready to be implemented.</p> <p>A number of minor recommendations have been made to strengthen processes further.</p>	
Priority	Key findings	Way forward agreed
Low	<p>Local Taxation Manual The Manual is in place but with recent structure changes the processes detailed may not be up to date.</p>	<p>Council Tax Core Team has a revised manual which is based around their core procedures.</p> <p>Once system thinking reviews have been completed for business rates and the inspection process then the manual will be overhauled.</p> <p><i>Officer responsible: David May (Principle Revenues and Benefits Officer)</i></p>
Medium	<p>Systems Thinking Review A systems thinking review is due to be completed for</p>	Now that we have the key staff in place we can move forward with the review.

	<p>NNDR but there is no formal timetable setting out key stages, milestones, etc.</p>	<p>A timetable will be put together with key milestones and a structured framework.</p> <p><i>Officer responsible: David May (Principle Revenues and Benefits Officer) & Erin Edwards (Business Rates Technical Officer)</i></p>
Low	<p>iWorld System Access There are Council Tax officers with unnecessary full access to the NNDR system, from a time when they were part of the Core Team.</p>	<p>Officers in the Council Tax Core Team will have their access to NNDR (Business Rates) system as view only.</p> <p>They still need access to view in case they do receive any calls from Business Rates customers that they can answer.</p> <p><i>Officer responsible: David May (Principle Revenues and Benefits Officer)</i></p>
Medium	<p>End / Review dates Our testing of reliefs and exemptions identified that End / Review dates were not recorded for most accounts and these accounts will not appear on future weekly 'Events' list for each relevant officer and prompt follow up / action.</p>	<p>We have carried out an review exercise where we targeted certain types of discounts/reliefs and visited these properties or carried out a paper review.</p> <p>Officers are responsible for their own cases and should have diary events to monitor their cases. However, we will incorporate this into our NNDR review.</p> <p><i>Officer responsible: David May (Principle Revenues and Benefits Officer) & Erin Edwards (Business Rates Technical Officer)</i></p>

Medium	<p>Inspections a) A Systems Thinking review has just been completed to provide a more focussed and risk-based approach, in particular in view of the future 100% retention of rates proposed by Central Government. Although processes for this new approach will evolve, procedures need to be produced to support these.</p>	<p>The review has been completed and we are now monitoring performance to ensure the new process is working for us. For example, generating income and mitigating losses – once satisfied, procedure notes will follow.</p> <p><i>Officer responsible: David May (Principle Revenues and Benefits Officer) & John Corrie (Revenues Inspector)</i></p>
Medium	<p>b) There is no standard inspection routine for all NNDR reliefs and exemptions including empty properties. There were a few accounts sampled that held the narrative ‘inspection outstanding’ on the iWorld system</p>	
Low	<p>Credit Balances There is currently no formal monitoring of credit balances although the largest account (£91,300) had been identified for action.</p>	<p>A review will be carried out on the remaining credit balances on account.</p> <p><i>Officer responsible: Erin Edwards (Business Rates Technical Officer) & Susan Willmott (Local Taxation Officer)</i></p>
Low	<p>Suspense Account There is good monitoring of the current year’s items but once the financial year is complete, there is no further review and balances remain. It was identified that there were various values dating back longer than 10 years.</p>	<p>From now on, we will check the suspense account for previous years.</p> <p>However, when the previous year has passed, receipts won’t be posted to previous years so all we will be able to check is payments that we have previously been unable to identify to see whether any further information has come to light.</p> <p><i>Officer responsible: Erin Edwards (Business Rates Technical Officer)</i></p>

Audit Title	Payroll	
Year of Audit	2017/18	
Assurance given	Substantial - <i>Key controls designed to achieve the system/function/process objectives are in place. There are opportunities to enhance/strengthen these controls.</i>	
Overview of Findings	<p>Testing demonstrated that good audit trails with clear supporting documentation were found to be in place for starters, leavers, payroll amendments, payments processing and reconciliations.</p> <p>Since the previous audit review, a new on-line process for claims for overtime and car mileage has been introduced which has strengthened the control environment. Responsibility now lies solely with managers to assess and approve claims on-line.</p> <p>Although, sickness records continue to be submitted manually, it was noted that from April 2018 sickness would be recorded on-line with Manager approval.</p> <p>A number of minor recommendations have been made to strengthen processes further.</p>	
Priority	Key findings	Way forward agreed
Low	<p>Procedure Notes Procedures have/are being developed by the Payroll function. These could be more detailed in the areas suggested in the audit report.</p>	<p>Notes continue to be developed as process changes and following feedback.</p> <p><i>Officer responsible: Julia Gower (HR & Payroll Officer) & Di Cordina (HR & Payroll Officer)</i></p>
Medium	<p>Diary System for Future Actions Currently a manual diary is used for recording future amendments to be made in CHRIS, as there is currently no facility in CHRIS to set up automatic reminders.</p>	<p>Explore the use of the HR calendar in Outlook and investigate Chris to see if end dating temporary contracts / other temporary changes are feasible.</p> <p><i>Officer responsible: Estelle Rigby (Principal HR Officer)</i></p>

Low	<p>Grade Change Amendments testing highlighted that, in one case, where a grade increase had been applied, there had been incorrect action taken regarding an existing honorarium and new entitlement to an essential car allowance.</p>	<p>On implementation of a grade change, any standing amendments to current pay such as allowances and honorariums will be reviewed to ensure that overpayments are not made.</p> <p>Develop and introduce a change form for completion by the manager to inform of changes to pay.</p> <p><i>Officer responsible: Estelle Rigby (Principal HR Officer)</i></p>
Low	<p>Amendments to Standing Data The records retained which show updates made to standing data in CHRIS are not signed to indicate who made an independent internal check of the data entered/amended.</p>	<p>The records retained which show updates to standing data in CHRIS will be signed and dated to indicate who made an independent internal check of the data entered/amended.</p> <p>Tax & NI checks at the start of the financial year, checks on L code, K code, and NI letters A & C.</p> <p><i>Officer responsible: Julia Gower (HR & Payroll Officer) & Di Cordina (HR & Payroll Officer)</i></p>
Medium	<p>BACS Submission Rights Currently only the two Payroll Officers have BACS submission rights.</p>	<p>An additional member of staff to be identified from Finance who could submit BACS in absence of the payroll officers.</p> <p><i>Officer responsible: Estelle Rigby (Principal HR Officer)</i></p>
Low	<p>Submission of Expenses The Way Forward from the 2015/16 audit relating to the timely submission of staff expenses has not been addressed fully in that, although a reminder had been issued, a timescale had not been agreed and communicated.</p>	<p>A communication to go out to all managers / staff with recommended timescales for submitting staff expense claims.</p> <p><i>Officer responsible: Estelle Rigby (Principal HR Officer)</i></p>

Audit Title	IT Equipment	
Year of Audit	2017/18	
Assurance given	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>	
Overview of findings	<p>A limited assurance opinion reflected that controls in place for asset managing mobile phones assigned to staff were in need of significant improvement. Records held by the IT Service Desk and the phone network provider did not always reflect current users with a number of phones referenced against ex-employees. This is in part due to historical inaccuracies in the records transferred to the Service desk and Departments not complying with the Mobile Phone Policy in terms of recycling existing phones through IT. The Council does however use a mobile device management system to monitor and locate smartphone devices.</p> <p>Controls relating to the issue of tablet devices and laptops were operating effectively.</p> <p>Recommendations have been made to carry out a full inventory check on Council phones, reconstitution of the database of users and correction of on line billing references. The Mobile Phone Policy also needs to be updated and issued to all new and existing users.</p>	
Priority	Key findings	Way forward agreed
Medium	<p>Inventory Check</p> <p>A full physical inventory check should be undertaken by IT Service Desk of all mobile phones owned by the Council. The database of users and assets held by IT should be reconstituted referencing each phone to an individual and accurate sim record. Some form of annual review should also be undertaken to ensure that phones issued were still required and assigned to the right user.</p>	<p>Full inventory check & database reconstituted as recommended.</p> <p><i>Officer responsible: Nigel Swan (IT Technical Services Manager)</i></p>
Low	<p>Updating Vodafone Billing Reference</p> <p>Once an inventory check has been undertaken and the database of phones reconstituted, phone references for Vodafone itemised billing should be</p>	<p>This will be implemented following inventory check and reconstitution of the database.</p> <p><i>Officer responsible: Nigel Swan (IT Technical</i></p>

	updated online against the correct employee and maintained.	<i>Services Manager</i>)
Medium	Return of Mobile Phone The former employee should be contacted to return the phone that was issued with immediate effect	Employee to be contacted to return the phone or be invoiced for the market value of the phone. <i>Officer responsible: Nick Harding (Head of IT and Facilities)</i>
Low	Leavers Checklist As part of the leaver process, HR should add an entry to the existing leaver's checklist prompting the return of assigned equipment if applicable.	Actioned per recommendation <i>Officer responsible: Rachael Gray (HR Manager)</i>
Medium	Mobile Phone Policy The Mobile phone policy should be reviewed and updated to reflect current requirements	Mobile phone policy will be updated and reviewed. <i>Officer responsible: Nigel Swan (IT Technical Services Manager)</i>
Low	Mobile Phone Policy Issue The Mobile phone policy should be issued to all existing users of a Council mobile phone and with all newly issued mobile phones	Agreed. This will be implemented following revision of the Mobile Phone Policy referenced above. <i>Officer responsible: Nigel Swan (IT Technical Services Manager)</i>

Audit Title	Community Assets 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 findings	Audit work carried out in April 2016 identified a number of isolated issues where issues had occurred between departments in respect of the management of community assets. Subsequent to this review, recommendations made to strengthen compliance appear to have been adhered to with no subsequent issues occurring although there had been few changes in lease arrangement since the original audit. Two outstanding actions remain from the original audit report, which relate to the location of the budgets for community assets and which department should be the custodian.		
Priority	Way forward agreed	Follow up findings	Recommendation status
	'Community, Legal and Finance will agree, at the start of the lease/lease changes/new tenant, the requirements'. The details agreed will be documented and held by Legal Services'.	On enquiry, this continues to operate as agreed.	Completed
	'Legal Services will hold all relevant documentation relating to Community Assets and the leases/maintenance'.	Legal Services hold details when they are made aware of who is the building. Community have notified Legal Services of all the leases/maintenance that are in operation.	Completed
	'Changes to the scheme of delegation would be required so that the Head of Community and Environment in conjunction with Estates and Financial Services can agree leasing community assets'.	The Solicitor of the Council has authority under the scheme has delegated powers to agree leases. This would be sufficient if Legal Services were to be designated custodians of community assets as recommended.	Completed

	‘The booking forms and legal agreements for letting out facilities will be reviewed by Legal Services’.	The Head of Community & Environment confirmed that all forms and legal agreements are sent to Legal Services for review.	Completed
	‘The Head of Community and Environment and the Solicitor to the Council agreed that Legal Services would be better suited as the Custodians of the community assets so that all are reported under Corporate Services’.	Finance will follow up with the Head of Community & Environment and the Solicitor to the Council to see exactly which budgets will need to be moved. As the 2018/19 budget process is nearly complete, any changes will be considered after the Council has approved the budget in February, as this could involve not just moving the budgets between cost centres but also between portfolios in the summary budget reports.	Underway
	‘The Head of Community and Environment will work with the Head of Financial Services to review the community assets budgets and income with a view to potentially passing the budgets to Building Services’.		Underway

Audit Title	IT Network Security follow up		
Year of Audit	2017/18		
Assurance given at time of the audit	Reasonable - Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.		
Assurance given at time of the follow up	Reasonable - Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.		
Overview of findings	Four recommendations were made as part of the original audit review issued in March 2017. Of these, one recommendation has been fully implemented relating to the strengthening of patch management application to the network to address potential vulnerabilities. Progress has been made in addressing the three other recommendations the most notable of which was to schedule and test the recovery of critical applications. The Council is currently finalising the design and implementation of a new backup solution with encrypted data being stored in a cloud environment. Once this has been completed, testing of data recovery and security incident plans can be undertaken. This is expected to be achieved by the end of June 2018. Work is also underway to review the Acceptable Use of IT Policy as recommended.		
Priority	Way forward agreed	Follow up findings	Recommendation status
	A number of older Microsoft patches (2015/16) have yet been deployed. A secondary control should be devised to catch MS patches not managed via WSUS.	The Council has procured the <i>Nessus</i> tool, which is a piece of detective software that is able to run a check across an estate of systems/servers to identify if any security vulnerabilities are present. It then informs IT Services what patches are missing from the servers in question so that action can be taken to remove the exposure.	Completed
	The Acceptable Use of IT Policy (AUP) and all connected IT appendices should be updated to include a revision date. Subsequent review to be performed	The Network Manager with input from the HR Manager is currently finalising a review of the AUP. Once a review has been completed, it is intended to develop a system of employee sign off as acceptance that they have read and	Underway

		understood the requirements of the policy.	
	Critical application data restore testing to be implemented. Regular (i.e. quarterly) data restore testing to be scheduled.	a solution is near completion using Veeam Enterprise. The solution entails data backups with long-term lifespans being encrypted and stored in a cloud environment. The detailed design is almost complete and the solution is due to be finalised in early April. Upon completion critical application testing can be scheduled and tested.	Underway
	A Security Incident Response Plan should be reviewed and tested prior to February 2018.	In terms of business continuity, a desktop exercise is planned for April in conjunction with the Council's risk management lead.	Underway

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LICENSING AND GENERAL
PURPOSES COMMITTEE
24TH MAY 2018

SOLICITOR TO THE COUNCIL'S
REPORT NO. LEG1805

ANNUAL GOVERNANCE STATEMENT 2017 - 2018

SUMMARY AND RECOMMENDATIONS:

The purpose of this report is

1. to seek approval of the Council's Annual Governance Statement 2017 – 2018; and
2. to agree to the publication of the Governance Statement alongside the Council's Statement of Accounts.

1. INTRODUCTION

- 1.1 Regulation 6(1) of the Accounts and Audit Regulations 2015, requires the Council to prepare an Annual Governance Statement.

2. BACKGROUND

- 2.1 In July 2017 the Council adopted a revised Code of Corporate Governance prepared in accordance with the CIPFA framework document entitled Delivering Good Governance in Local Government: Framework (2016 Edition).
- 2.2 Regulation 3 of the Accounts and Audit Regulations 2015 provide that the authority must ensure that it has a sound system of internal control which:
 - (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.
- 2.3 Regulation 6(1) provides that each financial year the council must:
 - (a) conduct a review of the effectiveness of the system of internal control; and
 - (b) prepare an annual governance statement.
- 2.4 The Regulations as set out 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 the Council's functions including the management of risk and review of performance management.

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.

- 2.4 The Annual Governance Statement should be approved by this Committee, and published alongside the Statement of Accounts by 31st July 2018.

3. REVIEW OF GOVERNANCE ISSUES FROM 2016/17

- 3.1 The Annual Governance Statement for 2016/17 identified the following governance issues and major risks for the Council.
- 3.2 Risk Management- a review and update of the risk management policy, the Corporate Risks Register and adoption of an Asset management Strategy were to be undertaken. Paragraph 5.8.7 of the AGS reports that significant work has been undertaken during the year to develop a revised corporate risk register and improve reporting on risk to both the members and management. The Asset Management Strategy is being prepared in conjunction with the Council's new Capital Strategy.
- 3.3 EU General Data Protection Regulation- significant work has been undertaken throughout the Council in preparation for implementation from the 25th May 2018. This will continue to be a governance issue in the current year whilst the changes are completed and bed in.
- 3.4 Risk of non-delivery of key projects – This is addressed at paragraph 5.7.7 and 5.3.1 of the AGS by ensuring Governance arrangements have been strengthened for all major projects via an improved traffic light system of highlight reporting and clear accountability .

4 CONTENT OF THE ANNUAL GOVERNANCE STATEMENT

- 4.1 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 in section 6 of the AGS and will be addressed during the year. Some of these actions were started during this year but now have further actions identified to complete the various areas of work.
- 4.2 The Leader of the Council and the Chief Executive are required to sign the Statement.

BACKGROUND DOCUMENTS: Published documents

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Rushmoor Borough Council

Annual Governance Statement 2017/18

1. Scope of Responsibility

- 1.1 Rushmoor Borough Council (the Council) is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and provides Value for Money (VfM). 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 Authority 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's website. The Annual Governance Statement sets out how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Regulation 6(1) which requires the preparation of an Annual Governance Statement. 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.
- 1.4 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;

- is responsible for the Council’s risk strategy and
 - is professionally qualified and suitably experienced.
- 1.5 The Head of Financial Services post is proposed to change to the Executive Head of Finance and form part of the Executive Management Team under changes proposed to be introduced during 2018.

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 and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 2.3 The governance framework which has been in place at the Council for the year ended 31 March 2018, 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’s Executive seek to “Listen, Learn and Deliver - Better”, in delivering the priorities of the Council Plan. The priorities 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.

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 Council has approved revised Scrutiny arrangements with effect from the new municipal year, which will change from a system of Policy and Review Panels to a single Overview and Scrutiny Committee and a single Policy and Project Advisory Board. The Scrutiny process 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 to 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, Bribery and Corruption Policy set out the standards of service and conduct expected of employees. A review of the Anti-Fraud, Bribery and Corruption policy; the Gifts and Hospitality policy, the Anti-Money Laundering and the Whistle Blowing policy are due to be reviewed in the forthcoming year.

- 5.1.6 These policies are on the Council's intranet and in 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.
- 5.1.7 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. An independent investigator produces reports for such hearings.
- 5.1.8 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. The Council holds the South East Employers Charter for Member Development. Learning and development support includes Cabinet training, joint development activities with other local authorities and organisations, one-to-one mentoring with new Councillors, Councillors and community leadership roles training, Code of Conduct training and training for regulatory committees and hearings.
- 5.1.9 The current strategic plan for Councillors' development includes the following:
- Assessment of training needs
 - Members Induction Programme – including code of conduct training
 - Training and support for the introduction of the new decision-making structures
 - GDPR requirements for Councillors' roles
 - 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 roles
 - Training for regulatory roles, including audit, licensing and development management
 - Skills that support Councillors' community leadership and meeting roles
 - Review of members IT support and use of data

- 5.1.10 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.
- 5.1.11 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.
- 5.1.12 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.
- 5.1.13 In line with Public Sector Equality Duty, the Council has published its Equality Objectives, Workforce Profile and Statutory Gender Pay Gap. The Equalities Impact Assessment template has been reviewed and rolled out to all service areas. All completed EIAs are posted on the Council's web site on the Equalities page.

5.2 Principle B - Ensuring openness and comprehensive stakeholder engagement

- 5.2.1 The Rushmoor Borough Council Plan 2018/19 (the Council Plan) sets out the Council's vision and four-priority area. Each priority area has targets areas and outcome measures. The Key Projects and Actions for 2018/19 under each priority are listed in the plan together with deliverables for 2018/19. This links the priority areas through to the outcome measures. The delivery mechanism for each key project and action is shown as facilitating, or enabling or delivering. 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 and Rushmoor Voluntary Services, to ensure effective delivery of its services.
- 5.2.2 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.
- 5.2.3 Progress on delivering the Council Plan is communicated through a performance management framework. In 2017/18 Cabinet received quarterly reports on performance against the Council Plan and these will be considered quarterly from 2018/19. These reports focus on exception and corrective measures where key performance indicators have not been met. The

Overview and Scrutiny Committee will provide the scrutiny function on the delivery of the Council Plan.

5.2.4 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 Programme
- Information required under the Transparency Code on the Data.Gov.uk website

5.2.5 All Cabinet reports benefit from consideration by the Corporate Leadership Team (CLT) and have Monitoring Officer and the Chief Financial Officer sign off before publication.

5.2.6 The Council believes that all people should have the opportunity to voice their opinions on issues that affect them. The Council adopted a Digital Strategy in April 2017 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. The Council's "Love Rushmoor" mobile app, designed to make reporting of issues simpler for residents has over 500 users and plans are in place to promote its use through community champions network.

5.2.7 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.

5.2.8 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 that is a strategy to ensure financial and service sustainability, by reducing net revenue spend over the medium term, working towards meeting a £2.9m reduction in the budget, identified in the 2017/18 budget setting process. The 8-Point Plan is

supported by the Council's Transformation Programme, which is monitored by the Programme Steering Group. Within the Transformation Programme are three work streams; Organisational Development; Customer and Digital; and Income Generation and Commercial - each led by a Senior Responsible Officer. Regeneration and Place projects feed into the 8-Point Plan. Governance arrangements have been 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 in 2016/17, to increase rental streams to the Council, generated around £951,000 per annum gross income (before costs of borrowing and holding costs are taken into account) and the Council expects to build on this success in future years. The Council allocated £15m for the purpose of property acquisition in 2017/18, with a further £25m in 2018/19 for commercial property and other investment opportunities, and £17m for 2019/20. This is a major part of closing the funding gap moving forward, alongside a major modernisation and improvement plan. The current funding gap is forecast to be around £3.8m by 2020/21. 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 a refreshed financial strategy built around a refresh of the Council's 8-Point Plan and 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, a key site to support the regeneration of Aldershot, which is unlikely to be achievable without Council intervention. The Council has also been awarded £8.4m of HIF funding to help deliver housing regeneration projects in the Borough and is currently undertaking a selection process for an investment partner to support delivery of its regeneration programme.
- 5.3.5 The new ten year contact for Waste, Recycling and Street Cleansing and Grounds Maintenance commenced in August 2017. This contract will deliver significant revenue savings. The Council's new depot for the contract is due to open in September 2018. The new service has a comprehensive, integrated ICT solution delivering a customer self-service portal and integration 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. The Property Minor Works Framework is now operational, ensuring best value and enabling council work to be awarded to SMEs as part of measures being taken by 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 Corporate Leadership Team
 - Heads of Service
 - Head of Finance and Solicitor to the Council

5.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome

- 5.4.1 The new Chief Executive joined the Council in May 2017 and introduced measures aimed at improving governance and accountability. Cabinet reports are now submitted in the names of the Portfolio Holders and presented by them at Cabinet meetings, improving the decision making process with Portfolio Holders being well prepared, briefed and knowledgeable on each area of their brief. A new Corporate Leadership Team including all Heads of Service, the Chief Executive and Directors has been established to improve awareness and corporate understanding of decisions. New management arrangements for Heads of Service have been introduced so that they report to the Directors who have service responsibilities. This change has improved oversight and accountability at senior level. The Chief Executive has consulted upon a restructure of senior management team, aiming to strengthen the focus on the Council's priorities, which is planned to be introduced during 2018/19.
- 5.4.2 Arrangements are in place to scrutinise decisions and a good relationship exists 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 CLT

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 2018/19 supported by an appropriate assessment of risk by the Head of Finance . The budget proposals were presented to an all Member seminar ahead of consideration by full Council, in order to facilitate understanding of budgetary issues and risks and to aid debate. The budget increased the council tax up to the maximum permissible level for Shire Districts before triggering a referendum, and reflects the expected growth in local business rates. The Council had previously accepted the four-year settlement figures for 2016/17 to 2019/20 offered by government to aid financial planning, which confirmed the significant reduction in central government funding around the Revenue Support Grant. New Homes Bonus continues to be used to support the revenue budget. 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 while reserves to support the general fund are planned to increase modestly over time. In line with comments from the recent Local Government Peer Challenge, these reserves are no longer being used to support on-going service provision. The savings requirement for the financial year 2017/18 of £550,000 was exceeded and some initial savings against the target of £1.55m for 2018/19 have already been achieved. Progress against the savings target will be monitored closely throughout the year.

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. The Licensing and General Purposes Committee has considered the progress made on issues highlighted in the Annual Governance Statement 2016/17. 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 during 2017/18 were:

- Scrutiny of proposed Treasury Management Strategy and performance during the year
- External audit plan, progress reports and final audit results report on the Statement of Accounts and “Value for money “ conclusion and Audit Committee briefings from the external auditor
- Internal audit plan, progress updates and audit opinion, including setting of a Quality Assurance Improvement Plan and assessing compliance with Public Sector Internal Auditing Standards.

- Consideration of accounting policies and materiality levels for inclusion in the Statement of Accounts
- Approval of the Statement of Accounts and the Letter of Representation
- Code of Corporate Governance
- Annual Governance Statement
- Annual Review from the Local Government and Social Care Ombudsman
- Appointment of an Independent Person
- Risk Management and the Corporate Risk Register
- Report from Public Sector Audit Appointments (PSAA) on the results of auditor's work

5.4.6 The work of the Committee is to be supported by focussed training from the external auditor in May 2018, based around a checklist for self -review of the Committee's effectiveness. In addition, training on Treasury matters is to be supplied in July 2018 by the Council's Treasury Management Advisors alongside an opportunity for Members of the committee to scrutinise the performance of the advisors. A review of the Terms of Reference for the Committee is also being undertaken alongside a proposed work programme for the forthcoming year.

Scrutiny of budget matters falls within the remit of the Overview and Scrutiny Committee with the member Budget Strategy Working Group playing a role in budget strategy, achievement of the savings plan and Member engagement in the budget process. This ensures openness and transparency in the way in which Officers/Members engage and have ownership in the budget challenge process.

5.4.7 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 three members of the Licensing and General Purposes Committee, following an independent investigation. Where appropriate, matters are reported and considered by full Council.

5.4.8 All Heads of Service prepare Service Plans that contain key actions, performance targets and associated risks, necessary to deliver the objectives of the Council though Service Plans will be delayed in this financial year until the restructure proposals are complete

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 has undertaken a skills audit. With the arrival of the new Chief Executive, the Corporate Leadership Team and the Middle Management Group have undertaken team development training. The broader development and the corporate needs of the Council's staff , being a key part of the Council's operating model, were considered and prioritised by the CLT resulting in a Learning and

Development programme for 2018/19 based on the needs of staff, the Council Plan and new priorities.

- 5.5.2 The programme for 2018/19 will cover leadership and management development, commercial awareness and political skills, supported by working differently and learning from each other; project and programme management and understanding and working with the community. The Council is also committed to developing opportunities for apprenticeships.
- 5.5.3 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 and has published its gender pay gap information. 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.
- 5.5.4 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.
- 5.5.5 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 Corporate Leadership Team. 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 though contractual auditors from other authorities are used as necessary, 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, CLT and the Chair

of Licensing and General Purposes Committee. The HIA attends CLT 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. This includes regular management information, management supervision, and a structure of delegation and accountability. Two Corporate Investigation Officers are employed to ensure that the Council has adequate investigative capacity in order to provide deterrence to committing fraud.
- 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 as identified by the internal and external auditors and other review and inspection bodies. The Council's policy on risk has been reviewed and sets out the Council's overall approach to managing risk. The Corporate Risk Register and risk policy have been updated and risk policies and procedures, implemented across the Council. The Council's Corporate Health and Safety Officer co-ordinates the Council's approach to both Corporate Risk Register and the Business Continuity Plan. The Head of Financial Services will report on progress to CLT and the Licensing and General Purposes Committee. The Council has in place a Business Continuity Plan
- 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 Risk Management Group to review and maintain 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
- Compliance with the Transparency code
- A Monitoring Officer
- A Performance management system

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 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. This approach will be carried forward into the Council's new scrutiny and policy development arrangements with a similar group being established to shape regeneration in Farnborough alongside broad public and stakeholder engagement on key sites.

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 VfM.

5.7.3 The Council, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2018/19 to further support the Council's preference for openness and transparency.

5.7.4 Apart from regular liaison with key Government bodies the Council is also fully engaged with the Local Government Association (LGA). The Council invited the LGA to undertake a peer challenge in December 2017. The report has been published and the recommendations have been accepted will be taken

forward from 2018/19 as part of the Council's Modernisation and Improvement Programme (Rushmoor 2020)

- 5.7.5 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.
- 5.7.6 It has not been necessary for the Council to request any authorisations for surveillance under the Regulation of Investigatory Powers Act.

Partnership Arrangements

- 5.7.6 The Council delivers its CCTV service, Community Safety Service and its Building Control Service in partnership with Hart District Council with shared funding. The CCTV service is currently being reviewed to ensure its fit with the strategic aims of both Councils, the coverage being supplied and the ability of the service to react to changing technology and future proofing.

Risks on Significant Projects

- 5.7.7 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. A Capital Strategy will be prepared for 2019/20 in line with new guidance.
- 5.7.8 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 2017/18 for consideration by Cabinet with appropriate comments by key officers to enable appropriate consideration of the issues including risks before a decision is made.
- 5.7.9 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, other review agencies and inspectorates and the Peer Challenge Review.

- 5.8.2 The Council Plan and objectives are established for 2018/19 setting out the framework for the work programme, focusing predominantly on achieving efficiencies, transformation of services and the regeneration programme. That is developed in tandem with the Annual Budget Cycle 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 2018 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 rolling audit plan has been developed for 2018/19, with quarterly updates to both CLT and the Committee.
- 5.8.4 An external audit of the accounts year ending 31 March 2017 was undertaken by Ernst and Young LLP and reported to the Licensing and General Purposes Committee in September 2017. This 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 2017 and of its expenditure and income for the year then ended. The auditor also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor made some recommendations to strengthen the Council's governance arrangements in relation to the role of the Committee, a review of the Council's risk management framework and the way the Council reviewed the advice received from experts, all of which have been progressed during the year. 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 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.
- 5.8.5 In May 2017, L&GP received an audit report from the Head of Internal Audit (HIA) advising that the progress of the Council against the Public Sector Internal Audit Standards (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 report to the Chief Financial Officer while maintaining unfettered access across the organisation, in particular to the Chief Executive, CLT and the Chair of Licensing and General Purposes Committee. During the year, work has been undertaken to achieve further compliance against the PSIAS as set out in the internal audit opinion for 2017/18. This has raised compliance to 285 out of the 336 fundamental principles, with a further 27 principles being partially compliant and 12 not being applicable. A Quality Assurance and Improvement Plan is included in the Opinion report and aims to raise compliance further in 2018/19.

5.8.6 The Opinion report also recommends the following areas for coverage within the Annual Governance Statement:

- Progress on the reconstituted risk management process
- Progress on meeting General Data Protection Regulation requirements
- Progress on the development of an Asset Management Strategy

5.8.7 Significant work has been undertaken during the year to develop a revised corporate risk register and improve reporting on risk both to Members and management, while both GDPR and asset management are picked up in the section below for action during 2018/19. Progress on these actions will be monitored by internal audit and reported quarterly to L&GP and CLT.

6. Significant Governance Issues

6.1 The Annual Governance Statement identifies the following governance issues and major risks for the Council. These are:

2017/18 Governance Issues

GOVERNANCE ISSUE	ACTION	RESPONSIBLE OFFICER
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice	Develop and adopt <ul style="list-style-type: none"> • Capital Strategy; • Asset Management Plan; and Investment Properties Performance criteria	Head of Financial Services
EU General Data protection Regulation	Ensure that the necessary changes for the GDPR are completed and implemented from the 25 th May 2018	Deputy Monitoring Officer
Restructure of the Council's Senior Management Team	Monitor the risks created by the review and ensure that the Council has appropriate resilience during a time of change	Corporate Directors and Chief Executive
Introduction of new governance arrangements	Ensure that the working arrangements are transparent and understood and the necessary support and training is provided for	Head of Democratic and Customer Services

	Council Members	
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7. Summary

- 7.1 The Council has in place strong governance arrangements that 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.

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STATEMENT OF ACCOUNTS 2017/18 - 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:

- (i) Note the contents of this report

1 INTRODUCTION

- 1.1 The Licensing and General Purposes Committee holds an important role in the provision of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance, as referred to in the Committee's Terms of Reference and reflected in its proposed work programme for 2018/19. The Committee's role should focus on financial reporting and financial governance rather than the wider issues of performance and spending priorities which are considered elsewhere on the governance structure (for example, by Cabinet and within the new overview and scrutiny arrangements proposed for 2018/19 onwards).
- 1.2 Part of 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 1 to this report.

2 STATEMENT OF ACCOUNTS 2017/18

- 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 The Statement of Accounts for 2017/18 has been prepared in line with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC), under International Financial Reporting Standards (IFRS) and in accordance with the Accounts and Audit (England) Regulations 2015.
- 2.3 The Accounts and Audit (England) Regulations 2015 provide for the requirement for the Statement of Accounts 2017/18 to be available for public inspection online

for a 30 working day period commencing Friday 1st June through to Thursday 12th July 2018.

- 2.4 Additional requirements also need to be observed in respect of publication, inspection and approval. The timetable of events has been accelerated to accommodate the earlier closure of the Accounts for the 2017/18 financial year, as reported to previous meetings of the Committee. A summary of these requirements is attached as Appendix 2.
- 2.5 The Statement of Accounts 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
 - Expenditure & Funding Analysis (a new statement introduced in 2016/17)
 - Notes to the core financial statements – including accounting policies
 - Collection Fund and accompanying notes (Council Tax and Business Rates)
 - Audit Opinion
- 2.6 The Auditors' Report will be available alongside the audited statement of accounts for 2017/18 at the meeting of the Licensing and General Purposes Committee meeting to be held on Monday 30th July 2018.
- 2.7 The Council's Annual Governance Statement (AGS) is required to be published alongside the Statement of Accounts and is included for consideration elsewhere on the agenda for this meeting of the Committee.
- 2.8 CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the appropriate committee prior to the commencement of the external audit. This allows for sufficient time for due consideration of the information and affords an opportunity to remind the Committee of their duties and responsibilities in respect of the Statement.

3 REVIEWING THE STATEMENT OF ACCOUNTS

- 3.1 Members are invited to discuss the draft Statement of Accounts and their approach to considering the final version for approval in July 2018.
- 3.2 Members should satisfy themselves that appropriate steps have been taken to meet statutory and professional practices. This could include:
- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the council in the future
 - reviewing whether the narrative report is readable and understandable by a lay person
 - identifying the key messages from each of the financial statements and what this means for the Council in future years

- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- reviewing major judgemental areas, e.g. provisions or reserves
- seeking assurance that preparations are in place to facilitate the external audit

3.3 *Understanding Local Authority Financial Statements* (CIPFA/LASACC, 2016) includes a description of the key financial statements along with a checklist of questions that may be helpful to Members in carrying out their role.

4 OTHER FACTORS TO CONSIDER

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

Materiality	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Is reporting consistent throughout the accounts? • Is it consistent with the narrative statement? • Is it consistent with Member's knowledge of the organisation?
Completeness	<ul style="list-style-type: none"> • How can Members be assured that the statements are complete?
Legality/Litigation	<ul style="list-style-type: none"> • Are all transactions legal and have all potential litigation that the Council is party to, been disclosed?
Classification	<ul style="list-style-type: none"> • Have assets been classified correctly?
Economic climate/Going concern principle	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • How can Members satisfy themselves that the Statements are free from misrepresentation or misreporting?
Fraud	<ul style="list-style-type: none"> • Are Members aware of incidences of fraud? What is the risk of fraud within the Statements?

Rights and Obligations	<ul style="list-style-type: none"> • 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?
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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 external evaluation - e.g. Local government Peer Review
- Other inspection regimes e.g. 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, property valuations

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.

BACKGROUND DOCUMENTS:

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC)
Understanding Local Authority Financial Statements (CIPFA/LASACC, 2016)

CONTACT DETAILS:

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APPENDIX 1

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

Statement of Accounts 2017/18 - Certification, Approval and Publication

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 2017/18 is 31st May, as the 30 working day period for the exercise of public rights must include the first ten days in June.

The requirement for the end of May 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 2017/18, 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 2017/18 and commence the period for the exercise of public rights. The inspection period must comprise a single period of 30 working days. For the 2017/18 Accounts, the period will start on Friday 1st June 2018 and end on Friday 12th July 2018.

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 2017/18 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

APPENDIX 2

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 July 2018 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 July 2018

Members are required to approve the Statement of Accounts prior to 31st July 2018. 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 the person presiding at the meeting

Publication

The approved the Statement of Accounts for 2017/18 must then be re-published with

- (a) the Annual Governance Statement (also approved by members in advance of the Statement of Accounts)
- (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) ensure that the three Statements remain available for public access for at least five years after the date of publication

APPENDIX 2

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 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

understanding local authority financial statements

2016

\ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

The introduction of the new expenditure and funding analysis

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
Net Cost of Services	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
Surplus or Deficit	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
Closing General Fund and HRA Balance at 31 March 20x1*	(25,203)		

*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure 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]. Authorities raise 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.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
Cost of Services	168,167	(79,902)	88,265
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
(Surplus) or Deficit on Provision of Services			14,588
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
Other Comprehensive Income and Expenditure			(45,142)
Total Comprehensive Income and Expenditure			(30,554)

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred 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 and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* Capital Fund Scotland

** Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves represents 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'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term assets		1,670,478	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
Current assets		42,589	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Current liabilities		(45,227)	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Long-term liabilities		(249,357)	
Net assets		1,418,483	Total assets less total liabilities

\ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

cash flows

The final statement required by the Code is the cash flow statement.¹ The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> ■ Operating ■ Investing ■ Financing
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ Note the format of the cash flow statement shown is produced under the indirect method.

a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

Checklist	
Expenditure and Funding Analysis	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
Comprehensive Income and Expenditure Statement	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
Movement in Reserves Statement	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?

Balance Sheet

15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy? (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?

Cash Flow Statement

23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

The pension deficit is meaningless – why do we have to show it?

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

The accounts are too long!

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

further reading

Financial Statements: A Good Practice Guide for Local Authorities (CIPFA, 2013)

Clear out the Clutter (Public Finance, April 2014)

Simplified Accounts: Small Isn't Always Beautiful (Public Finance, September 2015)

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA, issued annually)

Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners
(CIPFA, issued annually)



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NOMINATIONS FOR COUNCIL REPRESENTATION ON OUTSIDE BODIES 2018/19

NOTE: Appointments to outside bodies reflect political balance where there are four or more representatives, subject to the body's constitution

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
1	Age Concern, Farnborough	Venue - RVS Offices, Elles Hall Frequency - Every 2 months Day – Monday Time – Mornings	Cr. Liz Corps Cr. L.A. Taylor Cr. Jacqui Vosper	Three Members	Cr. Liz Corps Cr. C.P. Grattan Cr. Jacqui Vosper
2	Aldershot & Farnborough Festival of Music & Art	Venues – Schools and Church Halls in Rushmoor Frequency - (i) Weekends in April and May for competitions (ii) AGM in November (iii) 3 committee meetings during the year	Cr. D.M.T. Bell Cr. Jennifer Evans, Cr. K.H. Muschamp	Three Members (Cross – Group representation)	Cr. D.M.T. Bell Cr. Jennifer Evans Cr. Liz Corps Cr. K.H. Muschamp
3	Aldershot Military Museum Strategic Local Agreement Meeting	Venue – Aldershot Military Museum Frequency – Once a year Time – daytime	Cr. Mrs. D.B. Bedford Cr. B. Jones	Two Members	Cr. Mrs. D.B. Bedford Cr. B. Jones

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
Page 100	Aldershot Town Centre Business and Retailers Group	Venue – Princes Hall, Aldershot Frequency - Twice a year Day – Weekday evenings Time - 6.30 p.m.	Cr. M.L. Sheehan Cr. M.S. Choudhary Cr. J.J. Preece Cr. A.H. Crawford	Chairman of Aldershot Regeneration Group and four Aldershot Members (cross-party representation)	Chairman Cr. M.S. Choudhary Cr. Jennifer Evans Cr. A.H. Crawford Cr. A.R. Newell
5	Basingstoke Canal Joint Management Committee	Venue - Canal Centre, Mytchett Frequency - Twice a year Day - Friday Time - 10.00 am	Cr. J.H. Marsh Cr. L.A. Taylor Standing Deputies: Cr. R. Cooper Cr. C.P. Grattan	Two Members and a Standing Deputy for each Member (requested by the Management Committee)	Cr. J.H. Marsh Cr. Nadia Martin Cr. R.M. Cooper Standing Deputies: Cr. Veronica Graham Green Cr. C.P. Grattan
6	Blackbushe Airport Consultative Committee	Venue - British Car Auction Frequency - 2 per year Day - 1st Wednesday in March and October Time - 7.30 pm	Cr. Liz Corps Standing Deputy: Cr. J.E. Woolley	One Member and one Standing Deputy (Standing Deputy requested by the Consultative Committee)	Cr. Liz Corps Cr. B. Jones Standing Deputy: Cr. J.E. Woolley
7	Blackwater Valley Advisory Panel for Public Transport	Venue – RBC offices Frequency - 4 times per year (Mar, June, Sept, Dec) Time - 3.30 pm	Cabinet Member for Environment (Cr. M.J. Tennant) and Cr. B. Jones Standing Deputies: Cr. Rod Cooper Cr. M.J. Roberts	Cabinet Member with responsibility and one Member (maximum of two standing deputies)	Cr. M.L. Sheehan Cr. B. Jones Standing Deputies: Cr. Rod Cooper Cr. M.J. Roberts

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
8	Blackwater Valley Countryside Partnership	Venue – RBC Offices Frequency – Annually Day- Various days in Sept/Oct Time- Afternoon	Cr. L.A. Taylor Cr. P.G. Taylor Standing Deputies Cr. Barbara Hurst Cr. C.P. Grattan	Two Members and up to two Standing Deputies	Cr. D.B. Bedford Cr. P.G. Taylor Cr. C.P. Grattan Standing Deputies Cr. Barbara Hurst Cr. A.J. Halstead
9	Brickfield Country Park, Friends of	Venue - Various Frequency - Every 3 months Day - 1st Tuesday of the month Time - 8.00 pm	Cr. D.E. Clifford Cr. P.I.C. Crerar Cr. B.A. Thomas	Three Manor Park Ward Members	Cr. D.E. Clifford Cr. P.I.C. Crerar Cr. B.A. Thomas
10	Cove Brook Greenway Group	Venue - Blunden Hall, Farnborough Frequency - Quarterly Time – Evenings	Cr. C.P. Grattan Cr. Marina Munro	Two Members	Cr. C.P. Grattan Cr. Veronica Graham-Green
11	District Council's Network (DCN)	Venue – AGM Birmingham	Cr. D.E. Clifford	Leader of the Council	D.E. Clifford
12	Enterprise M3 Joint Leaders Board	Venue – Various Frequency – 6 a year Time – daytime	Cr. D.E. Clifford	Leader of the Council	Cr. D.E. Clifford

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
Page 102	Farnborough Aerodrome Consultative Committee	Venue - BA Park Centre, Farnborough Frequency - Twice a year Day - Thursday Time - 2.00 pm	Cr. M.J. Tennant Cr. P.G. Taylor Cr. Barbara Hurst as Standing Deputy	Cabinet Member with responsibility and one Member from a ward that adjoins the site (and one standing deputy).	Cr. M.L. Sheehan Cr. P.G. Taylor Cr. Martin Tennant as Standing Deputy
14	Farnborough Community Centre Executive Committee	Venue - Elles Hall Frequency - 11 meeting a year Day - Wednesday Time – Evening	Cr. Liz Corps Cr. B. Jones	Two Members	Disbanded
15	Farnborough and Cove War Memorial Hospital Trust Ltd	Venue - Devereux House Frequency - 6-8 weeks Day - Monday Time - 8.00 pm	Cr. R.L.G. Dibbs	One Member	Cr. R.L.G. Dibbs
16	457 Farnborough Squadron	Venue – Squadron HQ, St. Christophers Road, Cove Frequency – 6 each year Day - Wednesday Time – 7.30 p.m.	Cr. J.H. Marsh	One Member	Cr. J.H. Marsh Cr. A.J. Halstead
17	Vivid Housing Group – Annual General Meeting	Venue - PHA Frequency - Yearly	Cr. Barbara Hurst	Cabinet Member with responsibility for Housing	Cr. Barbara Hurst

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
18	Hampshire and Isle of Wight Local Government Association	Venue - Rota of Association authorities Frequency - 6 per year Day – Friday Time - Day-time	Cr. D.E. Clifford Cr. P.G. Taylor	Two Cabinet Members, one of whom is the Leader	Cr. D.E. Clifford Cr. P.G. Taylor
19	Hampshire Districts Health and Wellbeing Forum	Venue – rotation around Hampshire Frequency – 3 per year Time - daytime	Cr. Barbara Hurst	Cabinet Member with responsibility for Health	Cr. Barbara Hurst
20	Hampshire Police and Crime Panel	Venue – venues around Hampshire Frequency – 4 times a year Time – 10.00 a.m. weekdays	Cr. K.H. Muschamp	Leader or Cabinet Member	Cr. K.H. Muschamp
21	Hampshire Buildings Preservation Trust AGM	Venue – Various Frequency – Annually (AGM) Day - Friday in November Time - 10.30 am	Cr. D.S. Gladstone Cr. Marina Munro	Two Members	Cr. Veronica Graham-Green Cr. Marina Munro
22	Local Government Association - General Assembly	Venue - London and Conference venues Frequency – Annually Time – Daytime	Cr. D.E. Clifford	Leader of the Council	Cr. D.E. Clifford

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
Page 104	North Hampshire Area Road Safety Council	Venue – Hart/RBC/BDBC Frequency – 3 times a year Time – daytime	Cr. S.J. Masterson Cr. P.G. Taylor as Standing Deputy	One Member and one standing deputy	Cr. Mara Makunura Cr. P.G. Taylor as Standing Deputy
24	North Hampshire Community Safety Partnership	Venue – RBC/Hart/Basingstoke Offices Frequency – 3 times a year Time – daytime	Cr. K.H. Muschamp	Cabinet Member with responsibility for Community Safety	Cr. K.H. Muschamp
25	Joint Scrutiny Committee (Hart/Basingstoke/Rushmoor) North Hampshire Community Safety Partnership	Venue – RBC/Hart/Basingstoke Offices Frequency – once a year Time – daytime	Chairman and Vice-Chairman of Borough Services Policy and Review Panel Cr. A.H. Crawford Cr. B. Jones as Standing Deputy	Three non-executive Members including Chairman and Vice-Chairman of Borough Services To reflect proportionality: 2 Conservatives 1 Labour Nominated substitutes	2 x representatives from Chairman and Vice-Chairmen of the Overview and Scrutiny Committee Cr. A.H. Crawford Nominated Substitutes: Cr. B. Jones Remaining Scrutiny Chair or Vice-Chairman
26	Parity for Disability	Venue - Day Centre, Whetstone Road Frequency - 2nd Tuesday of every month Time - 7.30 pm - 9.30 pm	Cr. Barbara Hurst Cr. Sue Carter as Standing Deputy	One Member and one standing deputy	Cr. Barbara Hurst Cr. Sue Carter as Standing Deputy

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
27	Project Integra Strategic Board	Venue - Various Authorities Frequency - Quarterly Day - Friday Time - 9.30 am	Cr. M.J. Tennant	Cabinet Member	Cr. M.L. Sheehan
28	Royal British Legion (Farnborough Branch) Remembrance Day Arrangements	Frequency – As required Time - 7.45 pm	Cr. D.B. Bedford	One Member	Cr. D.B. Bedford Cr. C.P. Grattan
29	Rushmoor Citizens' Advice Bureaux Trustee Board	Venue - Alternates: Farnborough CAB/Aldershot CAB Frequency - 6 per year Day - Monday Time - 7.00 pm	Cr. Barbara Hurst Cr. P.F. Rust	Two Members (representatives of different Political Groups).	No new Nominations sought at this time
30	Rushmoor In Bloom Forum	Venue - RBC Offices Frequency - 6 per year Time - 7.00 pm	Cr. Mrs. D.B. Bedford Cr. M.S. Choudhary Cr. Liz Corps Cr. Jennifer Evans Cr. C.P. Grattan	Five Members (politically balanced. Last year, political balance was 3 Conservative, 2 from other Groups)	Cr. Mrs. D.B. Bedford Cr. M.S. Choudhary Cr. Liz Corps Cr. Jennifer Evans Cr. C.P. Grattan
31 Page 105	Rushmoor Local Strategic Partnership	Venue - RBC Offices Frequency - Quarterly Time - 4.00 pm	Cr. K.H. Muschamp Cr. Barbara Hurst as Standing Deputy	One Cabinet Member and One Cabinet Member as Standing Deputy	Cr. Barbara Hurst Cr. K.H. Muschamp as Standing Deputy

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
Page 106	Rushmoor Mediation Management Committee	Venue – Rushmoor Council Offices Frequency - Quarterly Time – 6 pm	Cr. C.P. Grattan Cr. M.D. Smith Cr. P.G. Taylor	Three Members	Disbanded
33	Rushmoor Sports Forum	Email forum to discuss grant applications	Cr. Mrs. D.B. Bedford Cr. Sue Carter	Two Members	Under review – no nominations sought this year
34	Rushmoor Swimming Association	Venue – Farnborough Leisure Centre Frequency – Last Monday in the month, except May Time - 7.30 pm	Cr. G.B. Lyon Cr. D.S. Gladstone	Two Members	Cr. Sue Carter Cr. M.L. Sheehan Cr. A.K. Chowdhury
35	Rushmoor Voluntary Services Board	Venue – Community Centre Frequency – 8 per Year and AGM and Awayday Time – Thursday Evening at 7.15 p.m.	Cr. Barbara Hurst	One Member	Cr. Barbara Hurst
36	Rushmoor Youth Forum (Currently a virtual forum)	Business is exchanged electronically only	Cr. D.M.T. Bell Cr. L.A. Taylor Cr. G.B. Lyon	Three Members (one from each Political Group)	Cr. J.B. Canty Cr. Sue Carter Cr. A. J. Halstead

	NAME OF ORGANISATION	FREQUENCY AND TIME OF MEETINGS/VENUE	REPRESENTATIVE(S) 2017/18	MEMBERSHIP	NOMINATED REPRESENTATIVES 2018/19
37	South East Employers – Full Meeting	Venue – London & Winchester Frequency - 2 per year – next meeting Wednesday, 11th July, 2018	Cr. P.G. Taylor Cr. K.H. Muschamp as Standing Deputy	Cabinet Member for Corporate Services and one Member as Standing Deputy	Cr. G.B. Lyon Cr. P.G. Taylor as Standing Deputy
38	SEE – The Local Democracy and Accountability Network	Venue – Mary Sumner House, London Frequency – 2 per year Time – Daytime	Cr. S.J. Masterson Cr. P.F. Rust	Two Members (but should not be drawn from the Cabinet)	Cr. P.F. Rust Cr. J.E. Woolley
39	South East England Councils (SEEC) All Member Meeting	Venue – London Frequency - Quarterly Time – Daytime	Cr. Barbara Hurst	Member of the Cabinet	Cr. Barbara Hurst
40	West End Centre Management Committee	Venue - West End Centre Frequency - Every 2/3 months Day - Varies Time - 7.00 pm	Cr. M.S. Choudhary Cr. B.A. Thomas	Two Members	Cr. M.S. Choudhary Cr. B.A. Thomas Cr. Nadia Martin

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