



RUSHMOOR BOROUGH COUNCIL

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

*at the Council Offices, Farnborough on
Monday, 25th November, 2019 at 7.00 pm*

To:

Cllr J.E. Woolley (Chairman)
Cllr S.J. Masterson (Vice-Chairman)

Cllr J.B. Canty
Cllr A.K. Chowdhury
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr Prabesh KC
Cllr P.F. Rust
Cllr Jacqui Vosper

Enquiries regarding this agenda should be referred to the Committee Administrator,
Kathy Flatt, Democratic and Customer Services, Tel. (01252 398829) or email
kathy.flatt@rushmoor.gov.uk.

A G E N D A

1. **MINUTES – (Pages 1 - 2)**

To confirm the Minutes of the Meeting held on 16th October, 2019 (copy attached).

2. **STATEMENT OF ACCOUNTS 2018/19 - UPDATE 2 – (Pages 3 - 6)**

To consider the Executive Head of Finance's Report No. FIN1933 (copy attached), which provides an update on audit progress for the Council's Statement of Accounts 2018/19 since the email update circulated on 11th October, 2019.

3. **TREASURY MANAGEMENT MID-YEAR REPORT – (Pages 7 - 34)**

To consider the Executive Head of Finance's Report No. FIN1931 (copy attached) which sets out the main activities of the Treasury Management Operations during the first half of 2019/20.

4. **INTERNAL AUDIT UPDATE – (Pages 35 - 46)**

To consider the Internal Audit Manager's Report NO. AUD 1908 (copy attached), which provides an update on Audit Plan delivery to date and expected deliverables for the remainder of quarters 3 and 4.

5. **ANNUAL GOVERNANCE STATEMENT - UPDATE – (Pages 47 - 50)**

To consider the Audit Manager's Report No. AUD 1909 (copy attached), which provides an update on work being carried out to ensure the achievement of the actions detailed within the Annual Governance Statement.

6. **LOCAL GOVERNMENT OMBUDSMAN COMPLAINTS REPORT – (Pages 51 - 54)**

To consider the Head of Customer Experience's Report No. CE0119 (copy attached), which provides the annual summary of statistics on the complaints made to the Local Government Ombudsman.

7. **DATA PROTECTION POLICY AND DATA PROTECTION OFFICER APPOINTMENT – (Pages 55 - 64)**

To consider the Corporate Manager – Legal Services's Report No. LSIG 19/11 (copy attached), which seeks approval of the Council's Data Protection Policy and of the delegation of authority to the Corporate Manager – Legal Services to keep the Policy under review and to update as required.

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.

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

Meeting held on Wednesday, 16th October, 2019 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr J.E. Woolley (Chairman)
Cllr S.J. Masterson (Vice-Chairman)

Cllr J.B. Canty
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr P.F. Rust
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr A.K. Chowdhury and Cllr Prabesh KC.

15. 2018/19 STATEMENT OF ACCOUNTS

The Committee noted the Briefing Note circulated by email on behalf of the Executive Head of Finance which provided an update on the ongoing discussions with the External Auditor on unresolved valuation issues in respect of the 2018/19 Statement of Accounts. It was expected that an agreed position and audit opinion would be presented to the Committee at its next meeting on 25th November, 2019.

16. MINUTES

The Minutes of the meeting held on 23rd September, 2019 were approved and signed by the Chairman.

17. EXCLUSION OF THE PUBLIC

RESOLVED: That, taking into account the public interest test, the public be excluded from the meeting during the discussion of the undermentioned item to avoid the disclosure of exempt information within the paragraph of Schedule 12A to the Local Government Act, 1972, indicated against such item:

Minute No.	Schedule 12A Paragraph No.	Category
17	1	Information relating to an individual

THE FOLLOWING ITEM WAS CONSIDERED IN THE ABSENCE OF THE PUBLIC

18. APPOINTMENT OF HONORARY ALDERMEN

The Committee was asked to consider proposals for the Council to appoint Mr. D. Cappleman, Mrs. S. Dibble, Mr. T. Gardiner and Mr. D. Welch as Honorary Aldermen of the Borough.

Provisions for the appointment of Honorary Aldermen were contained in the Local Government Act, 1972 and the criteria adopted by the Council had been circulated to Committee members with the agenda. The criteria included that former councillors were required to have no less than 16 years' service with the Council or its constituent authorities and should normally be a resident of the Borough. Mr. Cappleman, Mrs. Dibble, Mr. Gardiner and Mr. Welch had each achieved 16 years or more past service as a member of Rushmoor Borough Council. If the proposals were supported by the Committee then arrangements would be made for an Extraordinary Meeting of the Council to be held on 3rd December, 2019 to enable the honours to be bestowed on those who accepted their invitation to become an Alderman.

The Committee was of the unanimous opinion that Mr. D. Cappleman, Mrs. S. Dibble, Mr. T. Gardiner and Mr. D. Welch should be appointed as Honorary Aldermen of the Borough in recognition of their long service to the Borough.

RESOLVED: That the Council, at an Extraordinary Meeting arranged for this purpose, be asked to appoint Mr. D. Cappleman, Mrs. S. Dibble, Mr. T. Gardiner and Mr. D. Welch as Honorary Aldermen of the Borough in recognition of their long service and for the other reasons set out in the Report.

The meeting closed at 7.23 pm.

CLLR J.E. WOOLLEY (CHAIRMAN)

**LICENSING, AUDIT & GENERAL
PURPOSES
COMMITTEE
25 NOVEMBER 2019**

**EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN1933**

STATEMENT OF ACCOUNTS 2018/19 – UPDATE 2

SUMMARY:

The purpose of this report is to inform Members' of audit progress for the Council's Statement of Accounts for 2018/19 since the meeting on 23 September 2019, and to set out a revised timetable for the completion of the audit and provision of the audit opinion. The Committee is reminded that the deadline for issuing a final set of audit statements of accounts and audit opinion of 31 July 2019 was not met.

RECOMMENDATIONS:

It is recommended that the Committee:

- i) Note the revised timescale for approval and publication of the audited statement of accounts

1 INTRODUCTION

- 1.1 The Council published a draft statement of account 2018/19 on 31 May 2019. The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit opinion the relevant Council Committee (being Licencing, Audit and General Purposes Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 31 July 2019.
- 1.2 As reported to the committee at the meetings on 29 July 2019 and 23 September 2019, the Council's external auditor opinion was not going to be received until after the statutory deadline of 31 July 2019. At the meeting in September, members were informed that the delay in the opinion being issued is largely due to material changes in the valuation of the depot and the impact of the McCloud judgement on the Council's pension fund liability.
- 1.3 In terms of context, it is worth noting that there were 208 public bodies (Councils, Fire and Rescue, Police and other LG bodies) that did not receive an auditor opinion by 31 July 2019 – as compared to 64 at the same point the previous year.

- 1.4 This report provides members with an update on progress made since September and sets out the timetable that has been agreed with the Council's external auditor for the audit opinion to be provided.

2 PROGRESS SINCE SEPTEMBER AND REVISED TIMETABLE FOR THE AUDIT OPINION

- 2.1 Members will be aware from the previous update that a second independent valuation of the Depot was received and supported the decrease of £6m in the net book value of Property, Plant and Equipment (PPE) reported in paragraph 3.3 of the 29 July 2019 report.
- 2.2 EY were on-site during September and October to finalise substantive testing of the Council's financial statements and work through the remaining PPE valuation issues. Based on the timetable provided by the Council's external auditors Ernst & Young (doing business as EY) in the September report, completion of the audit and the audit opinion was initially expected in time for the additional meeting of the committee on 16 October 2019.
- 2.3 3 Members will be aware that it was not possible for EY to conclude their audit and issue their opinion for this meeting, and it was rescheduled for the November meeting.
- 2.4 However, despite further work during October from the finance team and EY's auditors and technical estates team, the audit has not been completed due to EY resourcing issues which has meant a final agreed set of accounts has not been produced. Without the final set of accounts to review, EY are not able to provide a safe opinion on the financial statements.
- 2.5 The issues that remain outstanding at the time of writing this report are:
- Further testing of the Depot valuation by EY Technical Estates Team – unresolved adjustment around valuation approach and whether the different valuation results have a material impact on the financial statements.
 - Further testing of subset of PPE asset values (miscellaneous asset class for properties that were last valued in 2014/15 but have not been indexed prior to a full revaluation in 2019/20 in line with the CIPFA Local Authority Accounting Code of Practice). EY have been reviewing the Council's approach and whether the asset valuations included in the Balance Sheet are materially correct.
 - Confirmation from EY that they have concluded all other aspects of the audit.
 - Adjustments to the primary financial statements and associated notes about the accounting treatment under the International Financial Reporting Standard IFRS 9 (classification and measurement of financial instruments) for Pooled Investment Funds. The finance team have accepted EY's view and changes to the accounts will be made.

- 2.6 Without a final view from EY on the two valuation issues and confirmation that no other changes to the accounts are required, the finance team cannot produce a final set of accounts without the risk they will need to be changed again.
- 2.7 Given the way in which the financial statements and notes to the accounts are linked, changes to the statements or the accounting treatment can take the finance team several days to complete, check and review. Therefore, given other pressures on the finance team (e.g. 2020/21 budget setting process), we do not propose starting the update process until it is clear there is no requirement for any further amendment.
- 2.8 Therefore, due to the audit and update requirements for the Statement of Accounts, it is proposed that the committee receives the external audit opinion and approve the Statement of Accounts at their meeting on 27 January 2020.

3 CONCLUSION

- 3.1 The council and external auditors will work together to achieve an audit opinion by the meeting of Licensing, Audit and General Purposes Committee on 27 January 2020.
- 3.2 In terms of the impact of the delayed audit opinion, there is no financial penalty or sanction as a result of the audit opinion being received after the statutory deadline.
- 3.3 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.

Contact Details:

Report Author and Head of Service:
David Stanley – Executive Head of Finance
01252 398440
David.Stanley@rushmoor.gov.uk

This page is intentionally left blank

**LICENSING AUDIT & GENERAL PURPOSES
COMMITTEE
25 NOVEMBER 2019**

**EXECUTIVE HEAD OF FINANCE
REPORT NO: FIN1931**

**TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT
OPERATIONS 2019/20**

SUMMARY:

This report sets out the main activities of the Treasury Management and non-Treasury Investment Operations during the first half of 2019/20. Prudential indicators for the 2019/20 financial year have been updated for all treasury management and non-treasury activity during the first half of 2019/20.

RECOMMENDATIONS:

Members are requested to:

- (i) Note the contents of this report in relation to the treasury management and non-treasury investment operations carried out during the first half of 2019/20

1. INTRODUCTION

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operations for the first half of the year 2019/20. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.
- 1.2 Full Council originally approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for 2019/20 on 21 February 2019. The Council has invested substantial sums of money and is therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management and non-treasury investment strategies.

2. PURPOSE

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

- 2.2 The CIPFA “Prudential Code” 2017 edition, “Treasury Management Code of Practice” 2017 edition and MHCLG revised guidance February 2018 focus on “non- treasury” investments. With attention on the purchase of investment property and other commercial activities that aim to generate income; but may require external borrowing (or the use of existing cash balances) to raise the cash to finance such activities. Non-treasury investments have been incorporated into the operations report for 2019/20.
- 2.3 The appendices (A to C) set out the Treasury Management operations, Non-Treasury Investment Operations and Prudential Indicators for 2019/20 and fulfil key legislative requirements as follows:

Appendix A

- The **Treasury Management operations** which sets out how the Council’s treasury service operated during the first half of 2019/20, in accordance with CIPFA’s Code of Practice on Treasury Management and Prudential Code;
- The **Treasury Management Borrowing operations** which sets out the Council’s borrowing during the first half of 2019/20 in accordance with CIPFA’s Code of Practice on Treasury Management, and;
- The **Treasury Management Investment operations** which sets out the Council’s Treasury Management investment operations for the first half of 2019/20, in accordance with CIPFA’s Code of Practice on Treasury Management.

Appendix B

- The **Non-Treasury Investment operations** sets out the Council’s Non-Treasury investment performance for the first half of 2019/20, in accordance with MHCLG Investment Guidance.

Appendix C

- the **Prudential indicators forecast** sets out the forecast prudential indicators position at the end of 2019/20 based on 2019/20 half year position relating to treasury/non-treasury activities and capital financing for 2019/20. Performance is compared to the indicators set out in the Annual Capital Strategy for the year 2019/20.

3 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2019/20

- 3.1 The Council’s treasury team continued to concentrate on the security of investments taking due regard for the returns available. The re-structuring of the investment portfolio during 2018/19 has improved diversification of funds and increase the yield on all treasury management investments by £188,000 from 2018/19.

- 3.2 With increased levels of borrowing the treasury team continually reviews the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2019/20 financial year short-term interest rates have remained low and are forecast to remain low. However, borrowing levels have increased, raising refinancing risk. To mitigate, a proportion of borrowing has been moved to one- and two-year durations.
- 3.3 Total borrowing at 30 September is £84.3m, an increase of £23.1m from 2018/19 year-end position. Year-end borrowing is forecast to be £116m below estimated levels due to timing of investment property purchases. The lower level of borrowing has resulted in forecast interest cost on borrowing reducing by £270,000.
- 3.4 The Council is forecast to have non-treasury investments risk exposure of £125.4 of which £82.2 is funded via external loans.
- 3.5 Return of non-treasury investments is forecast to be below estimated return for 2019/20 due to the cost associated with commercial property being clarified during the financial year

Contact Details:

Report author:

Alan Gregory - Finance Manager

01252 398443

Alan.Gregory@rushmoor.gov.uk

Head of Service:

David Stanley - Executive Head of Finance

01252 398440

David.Stanley@rushmoor.gov.uk

APPENDIX A

TREASURY MANAGEMENT OPERATION FOR FIRST HALF OF 2019/20

1 INTRODUCTION

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

2 TREASURY MANAGEMENT ADVICE

- 2.1 The Council continued to engage the services of Arlingclose for independent treasury advice during the year 2019/20. Arlingclose provide specialist treasury support to 25% of UK local authorities. They provide a range of treasury management services including technical advice on debt and investment management and long-term capital financing. They advise on investment trends, developments and opportunities consistent with the Council's Treasury Management Strategy.
- 2.2 With the exception of pooled funds all investment activity is carried out by the Council's own treasury team with advice from Arlingclose, and having due regard to information from other sources such as the financial press and credit-rating agencies.
- 2.3 Pooled funds are managed at the discretion of the external fund managers associated with each fund. It should however be noted that whilst the funds are externally managed, the decision as to whether to invest lies solely with the Council in accordance with its Treasury Management Strategy.
- 2.4 The needs of the Council's treasury management staff for training in investment management are assessed on an ongoing basis and as part of the staff appraisal process, and additionally when the responsibilities of individual

members of staff change. During 2019/20, staff attended relevant workshops provided by Arlingclose and other service providers.

3 EXTERNAL CONTEXT

- 3.1 The Council's treasury management advisors have provided commentary on the economic background that prevailed during the first half of 2019/20. This commentary is provided at **Appendix D**.

4 LOCAL CONTEXT

- 4.1 On 30 September 2019, the Council had net borrowing of £53.1m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes for the 2019/20 financial year is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The projected CFR is summarised in **Appendix C**.

- 4.2 The treasury management position at 30 September 2019 and the change during the year is shown in Table 1 below.

Table 1: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing	1.3	49.6	50.9	1.26
Short-term borrowing	59.9	-26.5	33.4	0.79
Total borrowing	61.2	23.1	84.3	
Long-term investments	-21.9	0	-21.9	5.8
Short-term investments	0	0	0	0
Cash and cash equivalents	-2.3	-7	-9.3	0.64
Total investments	-24.2	-7	-31.2	
Net borrowing/(investments)	37	16.1	53.1	

- 4.3 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as CFR, but that cash and investment balances are kept to a minimum level of £4m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	2019/20 Budget	2019/20 Forecast
Outstanding borrowing	121.6	116.0
Investment min	4.0	4.0
Liability benchmark	100.0	94.8

5 BORROWING ACTIVITY IN 2019/20

- 5.1 At 30 September 2019 the Council held £84.3m of loans, an increase of £23.1m since 31st March 2019, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 September 2019 are summarised in Table 3 below.

Table 3: Borrowing Position

	31/03/2019 Balance £m	Net Movement £m	30/09/2019 Balance £m	30/09/2019 Rate %
LEP (long-term)	1.3	-0.4	0.9	0
Local authorities (long-term)	0	50	50	1.26
LEP (short-term)	0.4	0	0.4	0
Local authorities (short-term)	59.5	-26.5	33	0.79
Total borrowing	61.2	23.1	84.3	1.03

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

6 INVESTMENT ACTIVITY IN 2019/20

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

Table 4: Treasury Investment Position

	Balance at 31/03/19 £m	Moveme nt in year	Balance at 30/09/1 9 £m	Average Rate %	
Managed in-house:					
Money Market Funds	2.3	7.0	9.3	0.68	*
Managed externally:					
Pooled Funds:					
CCLA LAMIT Property Fund	3.9	0	3.9	5.07	*
M&G Investments Strategic Corporate Bond Fund	4	0	4	3.79	*
UBS Multi Asset Fund	5	0	5	4.33	*
Kamas	2	0	2	5.82	*
Threadneedle Investments	2	0	2	3.09	*
Schroder Income Maximiser Fund	5	0	5	10.54	*
Total Investments	24.2	7.0	31.2		

*Annualised return based on income received between April 2019 to September 2019

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

Figure 1: Type of Counterparty

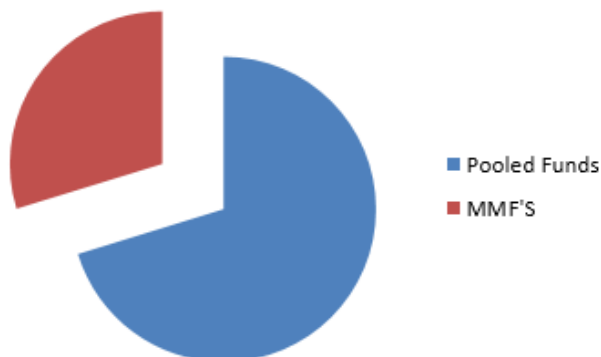


Figure 2: Maturity analysis

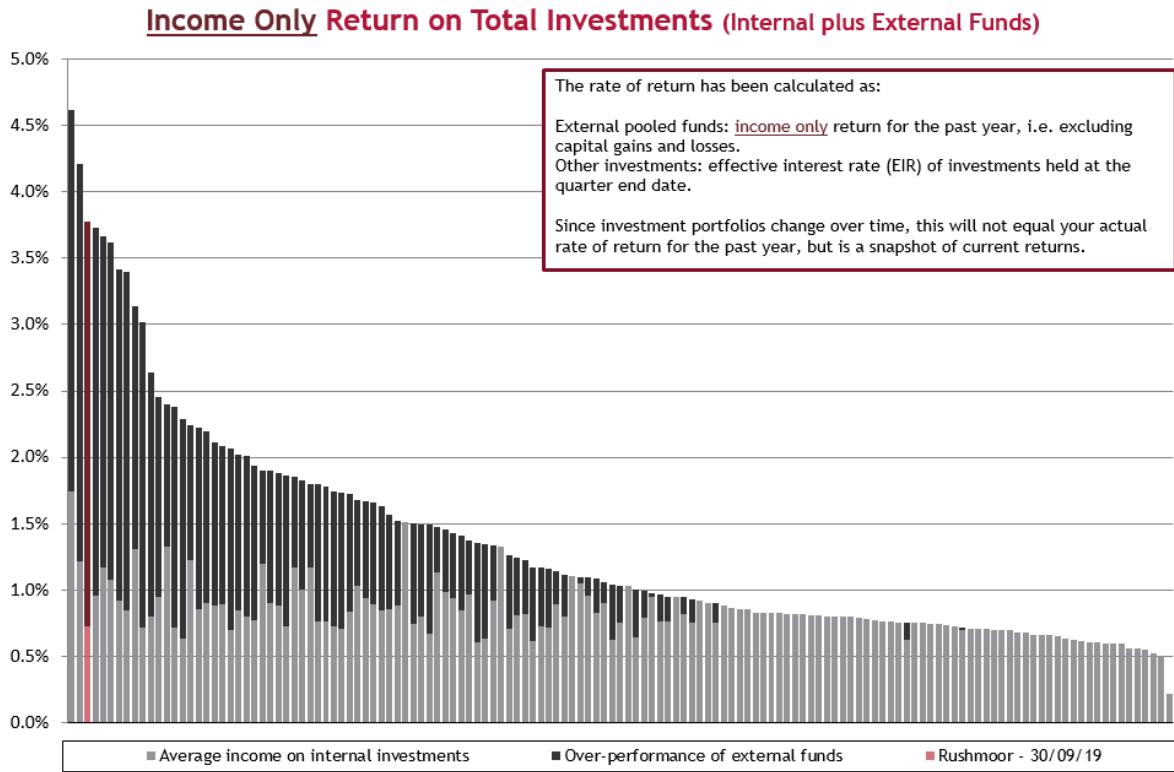


Table 5: Maturity analysis

Maturity Analysis for ALL INVESTMENTS	Type of Counter Party	Amount invested £	% of total investments
Instant	MMF	9,275,000	30%
0 - 3 months	Pooled Fund	0	0%
3 - 6 months	Pooled Fund	0	0%
6 - 12 months	Pooled Fund	0	0%
> 1 year	Pooled Fund	21,900,000	70%
Total for all duration periods		31,175,000	100

- 6.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4 During 2018/19 the Council restructured its investment portfolio, to reduce risk through greater product diversification. As a result, average treasury management investment income return was 4.65% as compared with 4.1% in 2018-19.
- 6.5 Investment Income Benchmarking: The graph below has been produced by Arlingclose and demonstrates that the Council income only returns on total investment portfolio for the last 12 months up to September 2019 was 3.78%.

Figure 3: Total income return on investment portfolio



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

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

	Credit Score	Credit Rating	Bail-in Exposure
31.03.2019	3.73	AA-	100%
30.09.2019	4.73	A+	100%
Similar LAs	4.22	AA-	61%
All LAs			

External Strategic Pooled Funds

6.7 £21.9m of the Council’s investments are held in externally managed strategic pooled equity, multi-asset, bond and property funds where short-term security and liquidity are lesser considerations, and objectives are regular revenue income and long-term price stability. During 2018/19 the funds were re-structured to reduce risk through diversification and to increase capital and

income returns over the long-term. Income returns have increased in 2019/20 compared with 2018/19. The pooled fund portfolio has generated an average total return during the first half of 2019/20 of 5.80%. Capital returns have decreased by 0.48%. A summary of returns and diversification is set out below.

Figure 4: Pooled fund diversification

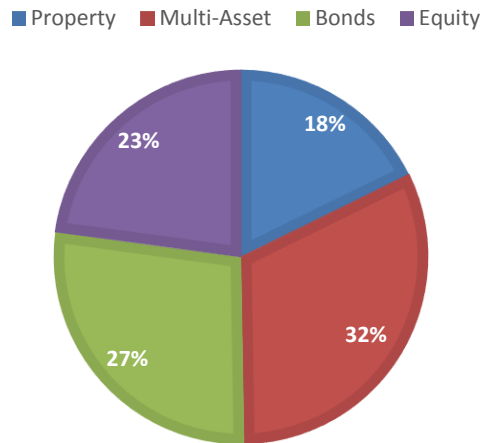


Table 7: Pooled fund diversification

Type of Pooled Fund	Amount invested £	% of total investments
Property	3,882,128	18%
Multi-Asset	7,000,000	32%
Bonds	6,000,000	27%
Equity	5,000,000	23%
Total	21,882,128	100%

Figure 5: Total returns year-on-year comparison

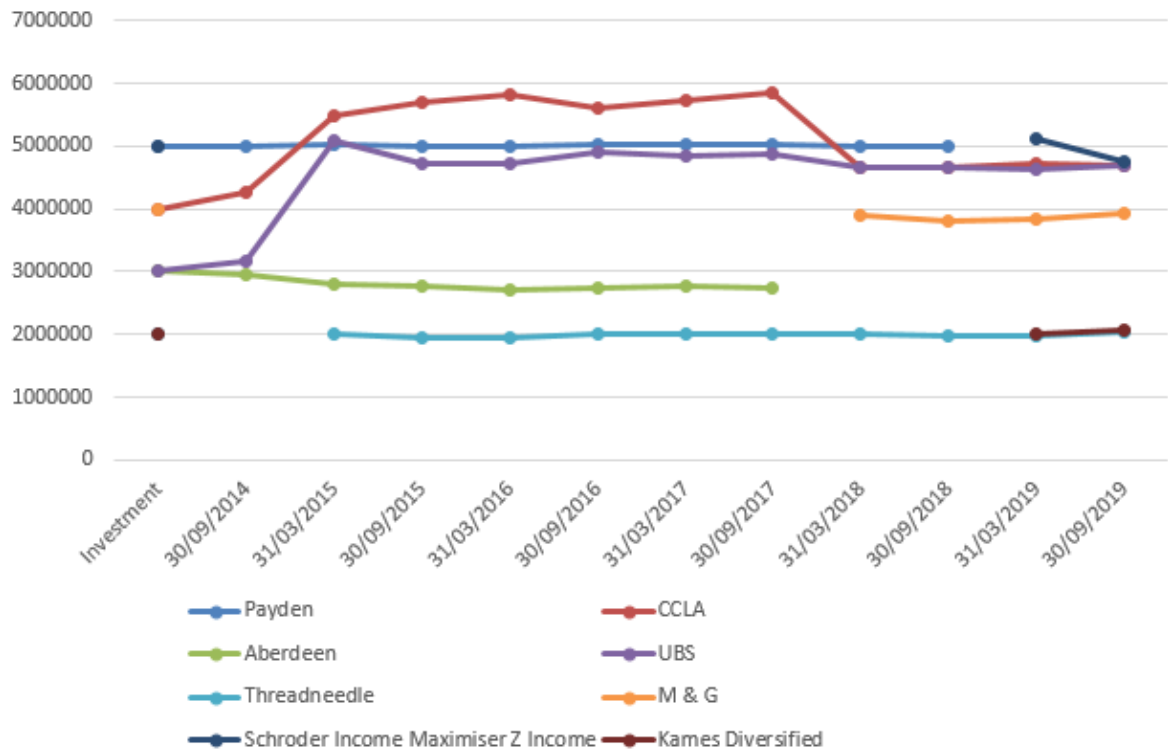


Table 8: Total return breakdown

	2018/19 average return	2019/20 average return
Type of return	%	%
Income	4.46	5.8
Capital	0.54	-0.76
Total Returns	5.00	5.04

- 6.8 As these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium-/long-term and the Council's latest cash flow forecasts, investment in these funds has been increased.
- 6.9 Details of the Council's investment activity together with returns generated during 2019/20 are outlined as follows:
- 6.10 **Capital returns** – the Council's pooled funds have continued to experience some variations in performance during the year 2019/20. Aggregation of the Council's pooled funds resulted in an overall net decrease in fair value for the year 2019/20 of around £167,000(an aggregate decrease of 0.76% of overall pooled funds invested).
- 6.11 There is variation in performance across the portfolio as shown in figure 6 below.

Figure 6: Movement in capital value of pooled funds during over the last 5 years



6.12 Income Returns_– The income returned by fund for the period to 30 September 2019 is analysed below:

- CCLA’s Local Authorities’ Mutual Investment Trust - £3.9 million investment at commencement of the year. The Property Fund is designed to achieve long-term capital growth and income from investments in the commercial property sector. The fund has returned 5.07% annualised income during 2019/20.
- UBS Multi-Asset Income Fund - £5 million investment. This fund follows a strategy of reducing volatility exposure levels by spreading investments across a diversified range of asset classes. This fund has returned 4.33% annualised income during 2019/20.
- Threadneedle Strategic Bond Fund - £2 million investment. The fund aims to provide income and capital appreciation through investment grade and high yield bonds. This fund has returned 3.09% annualised income during 2019/20
- M & G Corporate Bond Fund - £4m investment. This fund aims for a target total return of 3-5% from a combination of investment income or

capital appreciation. This fund has returned 3.79% annualised income during 2019/20.

- Schroder Income Maximiser Fund - £5m investment made in December 2018. The fund aims to provide both income and capital growth, delivering a target income of 7% per annum. The fund has returned 10.54% annualised during 2019/20.
- Kames Diversified Monthly Income Fund - £2m investment made in February 2019. The fund aims is to provide income with the potential for capital growth over the medium term. The fund has returned 5.82% annualised during 2019/20.

7 TREASURY MANGEMENT COMPLIANCE PERFORMANCE

7.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

7.2 **Compliance** - The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy with the exception of current account balance limits. As set out in the Council's 2019/20 Treasury Management Strategy there is a £2m limit on the main current account. At the commencement of the 2019/20 financial year there were 5 working days when the Council held balances in its main current account above the £2m. The excess balances were due to timing differences between raising funds and purchasing property. The finance section manages treasury activity rigorously and is exploring options to mitigate such timing differences in the future.

7.3 Compliance with specific investment limits is demonstrated in table 9 below.

Table 9: Investment Limits

	30.9.19 Actual £m	2019/20 Limit £m	Complied?
Any group of pooled funds under the same management	21.9	25.0	Yes
Money Market Funds	9.3	20.0	Yes

8 TREASURY MANAGEMENT INDICATORS

8.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

8.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.19 Actual	2019/20 Target	Complied?
Portfolio average credit rating	A+	A-	YES

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

	30.9.19 Actual £m	2019/20 Target £m	Complied?
Total sum borrowed in past 3 months without prior notice	0	2.0	YES

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

	30.9.19 Actual	2019/20 Limit	Complied?
Upper limit on one-year impact of a 1% rise in interest rates.	-£389,000	£500,000	YES
Upper limit on one-year impact of a 1% fall in interest rates.	£365,000	£500,000	YES

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

8.6 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	30.9.19 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	40%	100%	0%	YES
12 months and within 24 months	24%	100%	0%	YES
24 months and within 5 years	36%	100%	0%	YES
5 years and within 10 years	0%	100%	0%	YES
10 years and above	0%	100%	0%	YES

8.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

8.8 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	£21.9m	£21.9m	£21.9m
Limit on principal invested beyond year end	£40.0m	£40.0m	£40.0m
Complied?	YES	YES	YES

8.9 **Total Investment Yield:** The Council's revised estimates regarding investment yields and costs compared to the actual outturn for 2019/20 is shown in the table below.

Budgeted income and outturn	2019/20 Estimate £000	2019/20 Forecast £000	Variance £000
Interest receivable	(1,082)	(1,270)	(188)
Interest Payable	1,056	786	(270)
Net Amount	(26)	(484)	(458)

APPENDIX B

NON-TREASURY INVESTMENT OPERATIONS FOR FIRST HALF OF 2019/20

1 INTRODUCTION

- 1.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 1.2 The purpose of non-treasury investment management operations is to ensure that all investment decisions that are made primarily to generate a profit have a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.
- 1.3 The second main function of investment management is to generate potential returns and monitor performance of returns on a regular basis.
- 1.4 The Council also holds £105.9m of such investments at as 30 September 2019 in:
- directly owned property £99m
 - loans to local businesses and landlords £6.7m
 - shareholding in subsidiaries £0.2m

2 PROPORTIONALITY

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

Table 1: Proportionality of Investments

	2019/20 Estimate	2019/20 Forecast
Proportion	14%	8.9%

3 SERVICE IMPROVEMENT LOANS

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

Table 2: Loans for service purposes in £ millions

Category of borrower	2019/20	19/20	19/20
	Approved Limit	Actual	Forecast
Local businesses	6.7	6.7	6.7
Employees	0.1	0.1	0.1
TOTAL	6.8	6.7	6.7

Service loans have generated 4.27% return for the Council during the first 6 months of 2019/20 financial year and this level of return is expected to 4.01% for the whole of 2019/20.

4 SERVICE INVESTMENTS: SHAREHOLDING IN SUBSIDIARIES

- 4.1 The Council invests in the shares of its subsidiary and holds a financial share in a development partnership and Rushmoor Homes to support local public services and stimulate local economic growth.
- 4.2 The Council performance and upper limits on the sum invested in each category of shares have been set as follows:

Table 3: Shares held for service purposes in £ millions

Category of company	2019/20	2019/20
	Approved Limit	Forecast
Subsidiaries and Partnerships	10	0.5
TOTAL	10	0.5

5 COMMERCIAL INVESTMENT: PROPERTY

- 5.1 The Council invests in local and regional commercial and residential property with the intention of making a profit that will be spent on local public services. The forecast transactions during 2019/20 will increase the overall portfolio to £118.2m as outline in table 4 below.

Table 4: Property held for investment purposes in £ millions

Property by type	2018/19 Transactions			2019/20 estimated transactions	
	Purchase cost	Gains or (losses)	Value in accounts	Purchase cost	Estimated year-end Value
Mixed use	4.48	0.06	4.54	3.62	8.2
Industrial units	24.51	-0.37	24.14	0.0	24.1
Retail	32.82	-2.13	30.68	13.3	44.0
Offices	20.57	-4.99	15.58	26.3	41.9
TOTAL	82.37	-7.44	74.93	43.2	118.2

Return on Commercial investment

- 5.2 Commercial property investments generated £3.8m of net investment income for the Council after taking account of direct costs, cost of borrowing and Minimum Revenue Provision (MRP) representing a rate of return of 3.9%.
- 5.3 The return on commercial property is forecast to be lower than the reported level in the non-treasury investment strategy to Council on 21 February 2019. This is due to clarification of all costs and MRP charges.

6 NON-TREASURY INVESTMENT INDICATORS

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

Table 5: Total investment exposure in £millions

Total investment exposure	2019/20 Estimate	2019/20 Forecast
Service investments: Loans	6.7	6.7
Service investments: Shares	10	0.5
Commercial investments: Property	119.1	118.2
TOTAL INVESTMENTS	135.8	125.2
Commitments to lend	0	0
TOTAL EXPOSURE	135.8	125.2

- 6.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

	2019/20 Estimate	2019/20 Forecast
Service investments: Loans	2.2	2.2
Service investments: Shares	2	0.5
Commercial investments: Property	73.0	79.5
TOTAL FUNDED BY BORROWING	77.2	82.2

- 6.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

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

	2019/20 Estimate	2019/20 Forecast
Treasury management investments	4.2%	4.5%
Service investments: Loans	4.1%	4.0%
Service investments: Shares	1.1%	0%
Commercial investments: Property *	7.6%	3.9%
ALL INVESTMENTS	6.3%	3.9%

* For the purposes of this report it has been assumed that MRP is charged at the budgeted level for all assets funded from borrowing and is considered a prudent forecasting position. This assumption impacts on the forecast performance of Commercial Property Investments shown in the table above. The actual level of MRP to be charged for the year will be considered as part of the closure of accounts process taking into account statutory guidance.

- 6.5 The above table shows a forecast reduction in commercial property investment return net of all finance costs in 2019/20. This is due to the additional borrowing and MRP costs accrued when purchasing investment property with the aid of

external loans during 2019/20 and lower than expected returns on commercial properties.

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

Table 8: Other investment indicators

Indicator	2019/20 Estimate	2019/20 Forecast
Debt to net service expenditure ratio	8.2	9.1
Commercial income to net service expenditure ratio	0.5	0.4

APPENDIX C

PRUDENTIAL INDICATORS

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

Table 1: Capital Expenditure and Financing in £ million

	2019/20 budget	2019/20 Forecast
General Fund services	70.2	62.5
TOTAL	70.2	62.5
External sources	11.3	9.6
Own resources	0.1	0.2
Debt	58.8	52.7
TOTAL	70.2	62.5

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

Table 2: Replacement of debt finance in £ million

	2019/20 budget	2019/20 Forecast
Own resources	1.4	1.4

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

Table 3: Estimates of Capital Financing Requirement in £ millions

	2019/20 budget	2019/20 Forecast
General Fund services	119.1	113.5
MRP	-1.4	-1.4
IFRIC 4 Lease Adjustment	2.5	2.5
TOTAL CFR	120.2	114.6

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

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

	2019/20 budget	2019/20 Forecast
Debt (incl. leases)	121.6	116.0
Capital Financing Requirement	172.5	165.2
Difference	50.9	49.3

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

Table 5: Affordable borrowing limit in £m

	2019/20 limit	2019/20 Forecast
Authorised limit – total external debt	137.0	116.0
Operational boundary – total external debt	132.0	116.0

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

Table 6: Ratio of financing cost to net revenue stream

	2019/20 budget	2019/20 Forecast
Financing costs (£m)	1.1	0.6
Proportion of net revenue stream	10.6%	0.6%

Market commentary regarding the year 2017/18 from the Council's treasury management advisors Arlingclose

External Context

Economic commentary

UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU. Mr Johnson prorogued Parliament which led some MPs to put forward a bill requiring him to seek a Brexit extension if no deal is in place by 19th October. The move was successful and, having been approved by the House of Lords, was passed into law. The Supreme Court subsequently ruled Mr Johnson's suspension of Parliament unlawful.

Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary

policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

Financial markets:

After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

Credit background:

Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

Outlook for the remainder of 2019/20

The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased

dramatically.

There appears no near-term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, Donald Trump is unlikely to change his stance.

Parliament appears to have frustrated UK Prime Minister Boris Johnson’s desire to exit the EU on 31st October. The probability of a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risk of this event remains for 2020. The risk of a general election in the near term has, however, increased.

Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

This page is intentionally left blank

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

AUDIT MANAGER 25th NOVEMBER 2019
REPORT NO. AUD 19/08

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 2.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 2, including the work slipped from quarter 2.
- ii. Note the update to the expected deliverables for quarter 3.
- iii. Endorse the expected deliverables for quarter 4

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit to date for Q2 2019/20.
- A schedule of work expected to be delivered Q3 and Q4 2019/20.

2 Audit work – Q2 19/20

2.1 The following audit work has been carried out within quarter 2:

Work	Status
Audit findings – Appendix A of this report	
Community Safety Partnership	This audit was carried out by the contract auditors. A reasonable assurance opinion has been given to this area. Findings are detailed within Appendix A.
Contaminated water review	These reviews are being reported to provide completeness to the Depot audit report, which was presented to this Committee on the 28 th Jan 2019. Therefore, assurances are not shown for these reviews, as it was given with the overall depot audit report.
Contaminated soil review	

3 Expected deliverables for Q3 and Q4 2019/20

- 3.1 The work expected to be delivered in quarter 3 and 4 is detailed within the table below. As with the previous quarter, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the January meeting.

Service	Audit/ follow up/descriptor	Expected
Regeneration and property services	Estates Management and Commercial Letting – <i>A review of the arrangements in place to manage the Council's properties and letting of the property. A draft report is currently being produced and will be presented at the next committee meeting.</i>	Q3 2019/20
Finance	Financial borrowing – <i>A review of the process for financial borrowing within the Council. This is a new area for the Council as previously have not borrowed finances. Testing is currently being carried out and the findings will be presented at the next committee meeting.</i>	
Operations	Taxi Licensing – fees and processing records – <i>A review of the process in place for taking and processing taxi licensing fees. Queries are being reviewed by licensing and a draft report will be produced once these have been returned.</i>	
Economy, Planning & Strategic Housing	Building Control Partnership – <i>A review of the partnership arrangement in place for Building Control.</i>	
Property & Regeneration	Purchase of property follow up - <i>A follow up on the recommendations made within the audit carried out in 2017</i>	
Finance	Capital Programme Management - <i>A review of the arrangements in place to manage the capital programme and the projects included.</i>	
Operations	Car park income reconciliation consultancy – <i>Consultancy days planned to offer advice around the reconciliation process for car park income.</i>	
Finance	Council Tax Billing and Collection – <i>A key financial system review.</i>	
Various	Follow up on high risk recommendations from previous audits	

Operations	PCNs – <i>A review of the PCN process to ensure that the process is correctly followed.</i>	Q4 2019/20
Finance	Procurement – <i>A proactive review of procurement to ensure that the procurement process is being appropriately followed.</i>	
Finance	Risk Management consultancy – <i>Consultancy days planned to offer advice for updating the risk management process within the Council.</i>	
Economy, Planning & Strategic Housing	SANGS consultancy and review – <i>Consultancy days planned to offer advice for the SANGS process.</i>	
Finance	PCI DSS – <i>A review of PCI DSS compliance within the Council to ensure the standards are being met.</i>	
Finance	Treasury Management – <i>A key financial system review.</i>	
Finance	Cash Receipting – <i>A key financial system review.</i>	
Finance/ Operations	Capital Project (Ivy road Pavilion) – <i>A review of a capital project</i>	
Democracy, Strategy and Partnerships	Performance Management	
Finance/ ELT	Housing company/ RDP start up	
Finance	Ethical Governance – <i>A review of petty cash usage within the Council.</i>	
Operations	Housing Allocation list – <i>A proactive review of the process and controls in place for the applicants on the housing allocation list.</i>	

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

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

References: *Internal Audit – Audit Plan* report, presented to the Committee on the 6th June 2019

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?Cid=166&Mid=738&Ver=4>

AUDIT FINDINGS ON THREE ITEMS:

Audit Title 1	Community Safety Partnership		
Year of Audit	2019/20		
Assurance given	<i>Reasonable – Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.</i>		
Overview of area	<p>The Safer North Hampshire Community Safety Partnership was formed in 2012 between Rushmoor Borough Council, the Borough Council of Basingstoke and Deane and Hart District Council.</p> <p>The Partnership is part of the Strategic Community Safety Partnership which is made up of Statutory Agencies who oversee the work of Community Safety Partners over the Safer North Hampshire area.</p> <p>There is a statutory requirement for the Partnership to produce both a yearly Strategic Assessment, which establishes the priorities for the year, and a Partnership Plan, which documents the work to be undertaken for the year ahead. Both documents are published on the safer North Hampshire website.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
Medium	<p>Signed Legal Deed A copy of the signed Legal Deed for the Provision of Community Safety Services was not readily available and key members of the Partnership did not have a copy to hand for reference.</p> <p>The final copy has now been located by Legal and is dated 1/10/14.</p> <p><i>Risk: Unless a copy of the Final Deed for the Provision of Community Safety Services is readily available as a working document and shared with the team they will be unable to demonstrate that they are fulfilling the obligations of the agreement.</i></p>	Deed has been located and will be reviewed as part of a broader review of the shared Community Safety Team.	Steering Group March 2020

Medium	<p>Review of the Legal Deed The Legal Deed is required to be reviewed on the anniversary of the commencement date and there is no record of this having happened.</p> <p><i>Risk: Unless the Legal Deed is subject to the required annual review it may not accurately reflect the operations and objectives of the Partnership as it has evolved over time.</i></p>	Dependent on outcome of shared Community Safety Team review, deed may be refreshed and annual reviews will be factored in.	Steering Group March 2020
Medium	<p>Service Level Agreement The draft Legal Deed refers to a Service Level Agreement for the Partnership however it does not appear to have been included in the document.</p> <p><i>Risk: In the absence of an approved Service Level Agreement there is a risk that objectives will not be met and members of the partnership may be unclear of their roles and responsibilities.</i></p>	Service Level Agreement to be located and reviewed.	Steering Group March 2020
Medium	<p>Development reviews Staff do not have individual development reviews and the 'team' appraisal is overdue. In addition, they are not having mandatory 1:1s as is required by the council's Guide to Performance Management.</p> <p><i>Risk: The opportunity to discuss as a team, objectives and performance relating to the Partnership, is not being met through an annual development review or regular 1:1s.</i></p>	<p>Staff development reviews to be booked in on a 121 basis by relevant Team Leaders.</p> <p>Team Leaders 121 to be carried out by RBC Head of Service in absence of Community Safety Manager.</p>	<p>David Lipscombe</p> <p>James Knight</p> <p>James Duggin</p> <p>March 2020</p>
Medium	<p>Staffing Requirements The Community Safety Team staffing requirements have changed as the Partnership has evolved and the structure no longer matches that as documented in the</p>	As part of wider review into shared Community Safety Team a report has been produced giving options for improvement including structural reviews.	Steering Group March 2020

	<p>Legal Deed.</p> <p>Risk: <i>Unless there is a Variation of Deed completed and approved, as is required by section 13.3 of the Draft Deed there is a risk that the current structure of the team has not been officially approved by all parties. This may also lead to confusion and errors.</i></p>		
Medium	<p>Job Descriptions Job descriptions, in the main, are out of date and do not reflect current roles and responsibilities.</p> <p>Risk: <i>Without current, up-to-date job descriptions there is a risk that staff responsibilities, duties and expected levels of performance are not clearly outlined. Objectives of the service may not be met.</i></p>	As part of wider review into shared Community Safety Team, job descriptions and roles will be revisited when the review is concluded.	Steering Group March 2020
Low	<p>Partnership Plan The Partnership Plan is not yet in place for 2019/20. It is currently in draft.</p> <p>Risk: <i>Unless there is an approved annual Partnership Plan which is shared with members of the Community Safety Partnership team there is a risk that staff will be unaware of the priorities for the year and their own work objectives.</i></p>	New template to be designed and shared at next Community Safety Partnership meeting in November 2019. Partners to complete and plan to be published.	David Lipscombe James Knight March 2020
Medium	<p>Budget Setting Timescales In 2018/19, due to differences in budget approval timings, there was challenge to the set budget and non-payment of the first three quarters' invoices by one of the Partners.</p> <p>Risk: <i>The Rushmoor budget setting timetable may not be in line with those of the other authorities leading to</i></p>	Steering Group to be fully involved in budget setting process moving forward and agreements on timely payment to be put in place, with the ability to review any queries swiftly.	Steering Group March 2020

	<i>challenges after the budget has been set and possible non-payment of invoices due to dispute.</i>		
Medium	<p>Management Charging Mechanism The management charging mechanism is unnecessarily complicated with variations from the set budget frequently required to be made to the quarterly invoices issued to the partnering authorities.</p> <p><i>Risk: As a result of the management charging mechanism being overly complicated with variations to the set budget being required on a quarterly basis there is a risk that invoices may not accurately reflect the contribution/outputs of each authority and invoices may be open to challenge resulting in delayed payment.</i></p>	Steering group to review as part of review of Legal Deed.	Steering Group March 2020
Medium	<p>Hosting Charge The budgeted hosting charge may not reflect accurately the costs being incurred by the Partnership Team.</p> <p><i>Risk: Whilst the overspend by the Communications Team has been offset by other departments' underspends, should the Communications Team continue to exceed their annual budget going forward this may not subsequently be the case, leading to an overspend overall on the hosting charge budget</i></p>	Hosting charge to be reviewed as part of wider review into shared Community Safety Team.	Steering Group March 2020
Medium	<p>Staff Cover As a result of the potential long-term absence of the Community Safety Service Lead, any variations to be made to quarterly invoices at budget monitoring meetings may have to wait until year end to be adjusted as this officer is the sole member of staff with the necessary knowledge.</p> <p><i>Risk: In the absence of the Community Safety Service Lead there is no resilience with regards covering the</i></p>	Team Leader has been conducting budget monitoring process with accountant and there are minimal outstanding queries.	David Lipscombe March 2020

	<i>budget monitoring role and invoicing may not accurately reflect the payments required from each authority, particularly given the complicated nature of addressing variations.</i>		
Medium	<p>Key Performance Indicators The Community Safety Partnership have no agreed Key Performance Indicators which are monitored and reported.</p> <p>Risk: <i>Unless Key Performance Indicators are agreed, monitored and reported the Partnership will be unable to demonstrate that they are achieving their objectives and meeting their statutory requirements.</i></p>	Key Performance Indicators to be agreed and set by each authority	Steering Group March 2020
Medium	<p>Governance Structure There is no overarching organisation chart outlining the current governance structure for the Community Safety Partnership.</p> <p>Risk: <i>Unless there is an approved organisation chart showing the governance arrangements of the Community Safety Partnership there may not be clarity over the responsibilities and delegated authority of all parties involved.</i></p>	Governance structures of Community Safety team to be reviewed and Amended with clear structural charts.	Steering Group Q1 2020/21
Medium	<p>Minutes of the Steering Group There are no minutes produced for the meetings of the Steering Group.</p> <p>Risk: <i>Without documented minutes being produced for the quarterly meeting of the Steering Group they will be unable to demonstrate that they are fulfilling the requirements as per the Terms of Reference for the group and any actions agreed may not be taken forward and implemented or followed up.</i></p>	Minutes of steering group meetings to be taken at each meeting.	James Duggin to co-ordinate Q3 2019/20

<p>Low</p>	<p>Terms of Reference The ToR for the Overview Committee (Joint Crime & Disorder) has not been reviewed since January 2017. This may need review and revision to ensure that the scrutiny is focused in the appropriate areas going forward and will result in improvements for the Partnership.</p> <p><i>Risk: Unless the terms of reference for the Overview Committee is subject to regular review, scrutiny of the performance of the Partnership may not be focused in the appropriate areas.</i></p>	<p>Overview and Scrutiny terms of reference to be reviewed, along with overall processes for meeting and input and commitment from wider partners.</p>	<p>Steering Group March 2020</p>
<p>Medium</p>	<p>Timing of Annual Meetings The Scrutiny annual meetings have not been taking place in July, i.e. in line with the terms of reference, but in October. This is not the optimum time for reviewing and assessing the performance of the Partnership as data analysed will be potentially out of date by this time.</p> <p><i>Risk: If the annual Scrutiny meeting does not take place at the optimum time for the review of the Partnership there is a risk that the data analysed will not be meaningful as out-of-date.</i></p>	<p>Overview and Scrutiny meeting to be booked in for Q1 of the following financial year to ensure prompt and relevant review</p> <p>Not directly related to the shared team.</p>	<p>Committee Services April 2020</p>
<p>Low</p>	<p>Chairing the Annual Meeting The annual meeting of the Overview Committee is not always directed by an experienced Chair.</p> <p><i>Risk: Unless an experienced and independent individual chairs the annual meeting of the Overview Committee there is a risk that the meeting will not be effective and fulfil its objectives and the limited use of time may not be maximised.</i></p>	<p>Overview and Scrutiny meeting to be chaired by an experienced Chair moving forward.</p> <p>Once chair is determined the team will be briefed in advanced. Not directly related to the shared team</p>	<p>James Duggin March 2020</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 2	Contaminated Water review
Year of review	2018/19
Overview of area	<p>A review of the charges associated with the removal of contaminated water at the Depot project site was carried out to ensure that the amount being charged was correct.</p> <p>This review was carried out in conjunction with the review of contaminated soil at the depot and to provide completeness to the overall Depot audit report.</p> <p>An audit of the overall Depot project was carried out and the findings reported to LA&GP Committee in January 2019.</p>
Conclusion	Overall the increase in costs were due to the increase in time required to remove the contaminated water from the site and generally appear appropriate.

Audit Title 3	Contaminated Soil review
Year of review	2018/19
Overview of area	<p>A review of the charges associated with the removal of contaminated soil at the Depot project site was carried out to ensure that the amount being charged was correct.</p> <p>This review was carried out in conjunction with the review of contaminated water at the depot and to provide completeness to the overall Depot audit report.</p> <p>An audit of the overall Depot project was carried out and the findings reported to LA&GP Committee in January 2019.</p>
Conclusion	<p>Although a detailed review of the calculation for the removal of the soil could not be fully carried out it would appear that there was a standard method of calculation which was followed.</p> <p>The appearance of an increase in the cost of the removal of soil compared with the amount estimated is due to that, at the time of the estimate, assumptions did not take into account the risk of the potential complexity or the different disposal categorisation, of the soil for removal.</p>

This page is intentionally left blank

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE**AUDIT MANAGER 25th NOVEMBER 2019
REPORT NO. AUD 19/09****ANNUAL GOVERNANCE STATEMENT - UPDATE****SUMMARY:**

This report describes the work carried out to date within the Council to ensure the achievement of the actions detailed within the Annual Governance Statement.

RECOMMENDATION:

Members are requested to:

- i. Note the work currently being carried out towards the implementation of the actions detailed within the Council's Annual Governance Statement.

1 Introduction

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement. Reporting publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in the year and on any planned changes to our governance arrangements in the coming year. The AGS was reported to this Committee on the 6th June 2019.

The review of the effectiveness of the Council's governance framework in 2018/19 identified actions that needed to be addressed during 2019/20, which included the carried forward actions from 2017/18. The progress against these actions are detailed within this report.

2 Progress towards actions within the Annual Governance Statement (AGS)

- 2.1 Members considered the Annual Governance Statement report (AUD1906) which included a number of actions to be completed during 2019/20 in response to Governance issues identified in the AGS. Given the complex nature of some of the actions, particularly around the review of the constitution and financial regulations, a number of deadlines have not been met. Progress has been made on the actions contained in the report but have not been fully completed. Target dates have been amended to provide members with a more realistic view of when actions will have been completed. A further update will be provided to the Committee in March 2020.

2.2 The table below details the progress to date.

Action	Target date for implementation	Update on progress
<p>EU General Data Protection Regulation (b/f from previous year): Ensure that the necessary resulting changes for the GDPR are finalised and embedded within a broader information governance framework following the review of the effectiveness of the current arrangements the Council has implemented.</p>	<p>October 2019 <i>Revised date:</i> February 2020</p>	<p>Completion of this action has been delayed pending recruitment to a new post of Information Governance Officer. An Information Governance Group has been set up and the Information Governance Framework will be rolled out over the next 3 months.</p>
<p>Risk Management (b/f from previous year): Formal adoption of the risk management process and work carried out to embed risk management within all Council activities. Development and adoption of an information risk policy.</p>	<p>September 2019 <i>Revised date:</i> December 2019</p>	<p>The Corporate Risk Management Group (CRMG) has agreed a common risk reporting format and a revised Risk Management Strategy.</p> <p>The Council's Corporate Risk Register will be finalised during November 2019.</p>
<p>Workforce/ people strategy: Develop and adopt a longer-term workforce/ people strategy</p>	<p>December 2019 <i>Revised date:</i> March 2020</p>	<p>The newly appointed Corporate Manager – People is currently looking at a workforce strategy in line with the people, culture and organisation workstream of the Council's ICE programme. However, as the position has only recently been appointed to, the target date for the workforce strategy has been pushed back to March 2020, as detailed within the ICE programme sequence presented to Cabinet in October.</p>
<p>Relationship Management and economic engagement plan: Develop relationship management approach and processes and economic engagement plan.</p>	<p>September 2019</p>	<p>A review of options was considered by the Corporate Leadership Team and an approach agreed. The Council previously did not hold data on companies within the Borough in a systematic way. The new system holds key details on the company, the contacts at the company, the relationship manager within the Council and records of interactions. Several elements of the data require the company's permission to hold and these can only be populated after contact with them. So, data is being populated into the system as a programme of visits to companies is undertaken or through other contacts. The second phase is to train the wider organisation on how they can support the relationship management with companies and also how to feed information back.</p>

		The implementation of the approach and process has been achieved by the target date. However, a second phase is required to ensure this is embedded within the Council.
Procurement Strategy: Revision and adoption of the procurement strategy	July 2019 <i>Revised date:</i> February 2020	An update on the development of the Council's Procurement Strategy was provided to the Policy and Project Advisory Board in November 2019. It is expected that the strategy will be considered by Cabinet in February 2020.
Financial Regulations: Revision and adoption of the financial regulations	October 2019 <i>Revised date:</i> February 2020	The Council's Financial Procedure rules will be included in the wider review of the Council's Constitution and will be presented to LAGP in January 2020 and Council in February 2020.
Review of the entire constitution: The entire constitution will be reviewed and updated to ensure that it remains relevant.	October 2019 <i>Revised date:</i> February 2020	<p>A review has been carried out, with extensive revisions made to the presentation of the Responsibility for Functions together with updates to Codes and Protocols. The draft updated Constitution is to be considered at the LAGP Committee on 27th January, and Council Meeting on 20th February 2020.</p> <p>The Council's Governance Group have been actively reviewing updates to the Constitution during the year and it is anticipated that a draft copy of all the updated constitution documents will be available in early January 2020</p> <p>Members of the Constitution Review Working Group have been updated on progress during the year.</p>
Housing Company Governance: The governance arrangements in place around the Housing Company needs to be formally agreed.	August 2019 <i>Revised date:</i> January 2020	A report on the housing company is due to go to Cabinet in January 2020 for agreement. The Corporate Governance Group have reviewed the housing company governance arrangements and provided comment.
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year): Capital Strategy was approved by Council in February 2019 and will be reviewed on an annual basis.	February 2020	The Council's Capital Strategy is being reviewed alongside the Treasury Management Strategy and will be considered by LA&GP in January 2020 and Council in February 2020.

<p>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy</p> <p>Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio</p>	<p>October 2019</p> <p>September 2019</p> <p><i>Revised date:</i> March 2020</p>	<p>The asset management plan was approved by Council in October 2019. Currently work is underway with the Executive Head of Finance to profile the spend on assets required in order to support the income generation. Actions within the asset management plan are currently on hold until the appropriate staff structure is in place to support the plan.</p> <p>An external provider LSH, have carried out a review of investments within the Council. A workshop is being carried out with Members to review the proposals for consideration from LSH, including the set up of a property investment board. LSH will be formalising a framework and criteria for investments based on the Council's current portfolio.</p> <p>Progress has been made towards the implementation of this. However, further work is still ongoing and therefore the target date has been put back to March 2020.</p>
--	--	---

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

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

References: *Annual Governance Statement (within the statement of accounts)*
<https://www.rushmoor.gov.uk/statementofaccounts>

**LICENSING, AUDIT AND
GENERAL PURPOSES
COMMITTEE****HEAD OF CUSTOMER EXPERIENCE****25TH NOVEMBER 2019****REPORT NO. CE0119****LOCAL GOVERNMENT OMBUDSMAN COMPLAINTS REPORT****SUMMARY AND RECOMMENDATIONS:**

The purpose of this report is to update the Licensing, Audit and General Purposes Committee on the annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO). The report shows that Rushmoor Borough Council had 0% complaints upheld by the LGO during the period 1st April 2018 to 31st March 2019. This compares to an average of 43% in similar authorities.

1. INTRODUCTION

The local government ombudsman (LGO) report is received annually. This report supplies local authorities with information on the number of complaints that have escalated to them, after the complaint has gone through an authority's complaints process. The LGO will investigate individual complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. They will review the action and decision of the local authority to ascertain if the correct decision was made or reasonable measures to mitigate future issues were taken.

2. REPORT DETAILS

The LGO report states that Rushmoor Borough Council had **0%** of complaints upheld during the reporting period of 1st April 2018 to 31st March 2019. This compares to an average of **43%** in similar authorities.

This statistic shows Rushmoor's commitment to the investigation and resolution of complaints and our ongoing commitment to customer excellence.

The LGO received 9 complaints for investigation from our customer base: 4 were closed after the initial investigation and 4 were referred back to us for resolution; and 1 was not upheld.

18000309	Rushmoor Borough Council	Planning & Development	10 Apr 2018	Premature Decision - advice given	Referred back for local resolution	Null
18003365	Rushmoor Borough Council	Planning & Development	06 Jul 2018	Not warranted by alleged injustice	Closed after initial enquiries	Null
18003440	Rushmoor Borough Council	Planning & Development	09 Jul 2018	Not warranted by alleged injustice	Closed after initial enquiries	Null
18003481	Rushmoor Borough Council	Housing	09 Jul 2018	Premature Decision - referred to BinJ	Referred back for local resolution	Null
18002526	Rushmoor Borough Council	Planning & Development	13 Jul 2018	Not warranted by alleged mal/service failure	Closed after initial enquiries	Null
18003930	Rushmoor Borough Council	Planning & Development	23 Jul 2018	Premature Decision - referred to BinJ	Referred back for local resolution	Null
18006251	Rushmoor Borough Council	Environmental Services & Public Protection & Regulation	23 Jul 2018	Premature Decision - advice given	Referred back for local resolution	Null
18012285	Rushmoor Borough Council	Environmental Services & Public Protection & Regulation	07 Jan 2019	Other Agency better placed	Closed after initial enquiries	Null
18004393	Rushmoor Borough Council	Planning & Development	07 Mar 2019	no mal	Not Upheld	Null

Following on from the LGO report we examined some of the surrounding local authorities to benchmark the area. Below is a sample:

- Hart, **50%** of complaints investigated were upheld
- Basingstoke and Dean, **100%** of complaints investigated were upheld
- Reading, **56%** of complaints investigated were upheld
- Woking, **20%** of complaints investigated were upheld
- Surrey Heath BC, **20%** of complaints investigated were upheld.

3. COMPLAINT SERVICE

The Rushmoor BC's complaints service received 330 contacts in the same reporting period; 68 were identified as complaints for resolution. Rushmoor BC does not currently record "grumbles" in the same way as complaints but does examine the high-level data for analysis.

The Customer Experience portfolio has now become established in Rushmoor and, as such, the complaints function has moved into that area and is managed by the Customer Service Manager.

4. RECOMMENDATIONS

Due to the excellent report from the LGO, we will look to continue to develop our good working practices and further increase the knowledge of our customers' complaints and grumbles.

In the future, we will look to move the complaint recording and processing into the customer relationship manager (CRM) to better collate data, attach complaints to customer files and record "grumbles" for better decisions on service delivery.

Colin Eckworth
Head of Customer Experience

This page is intentionally left blank

25th November 2019

REPORT NO. LSIG 19/11

DATA PROTECTION POLICY and DATA PROTECTION OFFICER APPOINTMENT

SUMMARY:

A Data Protection Policy has been developed to set out how RBC complies with its duties under the EU General Data Protection Regulations (GDPR) and the UK Data Protection Act 2018 (DPA 2018) together Data Protection Legislation.

RECOMMENDATION:

Members are requested to:

- Approve the Council's Data Protection policy, and
- Delegate authority to the Corporate Manager – Legal Services to keep the Policy under review and update as required

1 Introduction

1.1 It is essential that we have an up to date Data Protection Policy as part of the accountability to the Information Commissioner's Office (ICO) in demonstrating our approach to Data Protection. The ICO is the Data Protection regulator in the UK.

2. Data Protection Policy

2.1 The Data Protection Policy forms part of the Information Governance Framework which is being rolled out to all teams setting in place the processes and procedures to securely access information held by the organisation when and where required. The purpose of the Data Protection Policy is to explain the Council's approach to staff, Members and customers ensuring that we comply with the Data Protection Legislation when we collect, process and store the personal data that we need in order to carry out our business. The Policy explains in clear terms how the GDPR applies to employees, Members and contractors and what their obligations are. Article 24 of the GDPR specifies that organisations create a policy in order to "demonstrate that [data] processing is performed in accordance with this Regulation".

2.2 The Policy will be kept under review annually.

Owner / Head of Service:

Catriona Herbert, Legal Services and Deputy Monitoring Officer

01252 398616

Catriona.Herbert@rushmoor.gov.uk

AUTHOR: Bridgette Burrows - Information Governance
bridgette.burrows@rushmoor.gov.uk

RUSHMOOR BOROUGH COUNCIL



Data Protection Policy

N.B. Staff are discouraged from printing this document. This is to avoid the risk of out of date printed versions of the document. The Intranet should be referred to for the current version of the document.

1. Introduction

- 1.1 This document sets out Rushmoor Borough Council's ('the Council') Data Protection Policy and how it complies with the Council's duties under the EU General Data Protection Regulations (GDPR) and the UK Data Protection Act 2018 (which in combination constitute 'the legislation').
- 1.2 The legislation regulates the way in which personal data about individuals, whether held digitally or in a manual filing system, is subjected to any processing operation, including collection, storage, use, disclosure and destruction.
- 1.3 The Council needs to process personal data and sometimes sensitive personal data about people with whom it deals in order to carry out its statutory duties, perform its functions and to comply with terms of contracts it has entered. This includes information on current, past and prospective service users, employees, suppliers, clients, customers, and others with whom it communicates. It may include all persons who live, work or visit the Borough and many others who do not.
- 1.4 The Council regards the lawful and correct treatment of personal information as critical to the success and effectiveness of its operations, and to maintaining the confidence of those it serves. It is essential that it respects the rights of all persons whose personal information it holds, that it treats personal information lawfully and correctly in accordance with the legislation and that it can show that this is the case.
- 1.5 Failure to comply with the legislation infringes the rights of individuals and may place them at risk of loss or harm. It also exposes the Council to challenge, legal claims and substantial financial penalty.
- 1.6 This policy applies to all staff and elected Members and the Council expects all its staff and elected Members to comply fully with this policy and the principles laid down in the legislation (set out in Section 3 below). Elected Members should adhere to the policy to ensure compliance with the Members' Code of Conduct and the Council's obligations in relation to confidentiality.
- 1.7 Third parties such as partners, public and private organisations or contractors with whom the Council shares personal data or who hold data on the Council's behalf will be expected to enter into and adhere to formal agreements or contractual obligations with the Council incorporating the principles of this policy and the requirements of the legislation. Such agreements or contracts must define the purposes for which personal data is supplied to or held by the other party and require contractors to have in place appropriate organisational and technical measures to protect the data and processes to enable the exercise of the rights of individuals.

2. Definitions

2.1 Definitions used in the GDPR and in this policy are as follows:

2.1.1 **'Personal data'** is any information relating to an identified or identifiable natural person, either through their name or another identifier such as an identification number.

2.1.2 **'Processing'** refers to any operation performed on personal data, whether by electronic or automated means, such as collection, use, storage, disclosure or destruction.

2.1.3 **'Data subject'** is the term used to describe any given person when identified in relation to their personal data.

2.1.4 **'Data controller'** is the label for organisations which decide how and why personal data is used, while **'data processors'** is a label for organisations responsible for processing personal data on behalf of a controller. Woking Borough Council is a data controller, while its suppliers are data processors.

2.1.5 **'Special categories'** of personal data encompasses ethnicity and data concerning health, among other categories. To process these, there are extra requirements. Similar requirements exist in the GDPR for processing data on criminal convictions or offences.

3. Data protection principles

3.1 The Council will comply with the principles included in the legislation, ensuring that personal data is:

3.1.1 Processed lawfully, fairly and in a transparent manner;

3.1.2 Collected for specified, explicit and legitimate purposes and not further processed in a manner incompatible with those purposes;

3.1.3 Adequate, relevant and limited to what is necessary in relation to those purposes;

3.1.4 Accurate and, where necessary, kept up to date;

3.1.5 Kept in a form which permits identification of data subjects for no longer than is necessary to fulfil the purposes for which the personal data is processed;

3.1.6 Processed in a manner that ensures appropriate security of the personal data;

3.1.7 Processed in accordance with the rights of data subjects.

4. General requirements

- 4.1 If follows from the principles of the legislation that, in practice:
- 4.1.1 Personal data should only be processed when an appropriate lawful basis in the legislation can be identified;
 - 4.1.2 Personal data should only be accessed by those who need to for work purposes;
 - 4.1.3 Personal data should not be divulged or discussed except when performing normal work duties;
 - 4.1.4 Personal data must always be kept safe and secure, including at the office, public areas, home or in transit;
 - 4.1.5 Personal data should be regularly reviewed and updated; and
 - 4.1.6 Queries about data protection, internal and external to the Council must be dealt with effectively and promptly.

5. Responsibilities of officers and elected Members

- 5.1 The Council is a Data Controller under the legislation and must comply with the principles laid down in the legislation and be able to demonstrate compliance with them.
- 5.2 The Data Protection Officer (Corporate Legal Manager) shall be accountable for the implementation and effectiveness of this policy. The Data Protection Officer shall also have specific operational responsibility for data protection matters corporately.
- 5.3 All Corporate Leadership Team members are responsible for implementing safe and sound data protection procedures within their areas of responsibility. Corporate Leadership Team members should have regard to this policy and any accompanying guidance issued by the Data Protection Officer from time to time, when formulating procedures which make use of personal data.

6. Data security

Staff should refer to the separate (AUP) Information Security Policy for details on information security.

- 6.1 All staff are responsible for ensuring that personal data which they use, or process is kept securely and is not disclosed to any unauthorised person or organisation. Access to personal data should only be given to those who have and can show a need for access to the data for the purpose of their duties.
- 6.2 Personal data should not be left where it can be accessed by persons not authorised to see it or have access to it by reference to this policy and the principles in the legislation.

- 6.3 Personal data that is no longer required must be destroyed appropriately, for example, by shredding or, in the case of computer records, secure deletion. Personal data must be destroyed in accordance with the Council's retention schedule.
- 6.4 Staff and elected Members who work from home must have regard to the need to ensure compliance with this policy. The security and proper processing of data outside offices and usual places of work and whilst travelling must be ensured.
- 6.5 The Data Protection Officer shall ensure that personal data breaches are investigated and, where the breach is likely posing a risk to the rights and freedoms of individuals, reported to the Information Commissioner's Office in line the requirements of the legislation.

7. Information sharing

- 7.1 Personal data may need to be shared with third parties in order to deliver services or perform our duties. The Council will only share personal data when a lawful basis from the legislation can justify that sharing, where it is necessary to achieve a clear purpose and, with that purpose in mind, it is fair and proportionate to do so.
- 7.2 Disclosure within the Council either to staff or elected Members will be on a need to know basis or to enable the most effective discharge of their responsibilities. Such disclosure may only be carried out when a lawful basis from the legislation can justify that disclosure. It will be carried out in accordance with the principles laid down in the legislation.
- 7.3 Data Sharing Agreements should be concluded when setting up on-going or routine information sharing arrangements with third parties. However, they are not needed when information is shared in one-off circumstances, but a record of the decision and the reasons for sharing information should be kept. All Data Sharing Agreements must be signed off by the Data Protection Officer, who will keep a register of all Data Sharing Agreements.

8. Data Protection Impact Assessments

- 8.1 As required by the legislation, Data Protection Impact Assessments ('DPIAs') will be completed in instances when the processing of personal data is likely to result in a high risk to the rights and freedoms of individuals.

Such instances may include, but are not limited to:

- 8.1.1 Introduction of new technologies;
- 8.1.2 Systematic and extensive processing activities;
- 8.1.3 Large scale processing of special categories of data or personal data relating to criminal convictions or offences;

8.1.4 Large scale, systematic monitoring of public areas, such as CCTV; and

8.1.5 Before entering a data sharing agreement.

9. The rights of data subjects

9.1 Subject to the provisions of the legislation, Members, staff and members of the public have the following 'information rights' in relation to their personal data:

9.1.1 to be informed about how and why their personal data is processed;

9.1.2 to access their data;

9.1.3 to rectification of their data;

9.1.4 to erasure of their data;

9.1.5 to restrict processing of their data;

9.1.6 to data portability;

9.1.7 to object to processing of their data; and

9.1.8 not to be subject to fully-automated decision-making including profiling.

9.2 The Data Protection Officer will ensure appropriate processes are in place to ensure the Council enables the exercise of these rights, according to the provisions of the legislation.

9.3 Any information rights requests are processed by the Data Protection Officer. Individuals will be expected to submit requests in writing and provide any necessary proof of identification as part of the request.

9.4 The Council aims to respond promptly to these information rights requests and, in any event, within the statutory time limit (normally 30 days). Requests will be managed and tracked by the Data Protection Officer.

10. Complaints

10.1 Anyone who believes that the Council has broken the law can make a complaint. Examples of this are when they think their information has not been obtained fairly, it has not been handled securely or they have asked for a copy of their information and they are not satisfied with the Council's response.

10.2 Complaints regarding the processing of personal data should be made to the Data Protection Officer.

11. Training

- 11.1 Data protection training is important so that all staff and elected Members understand their responsibilities. Legal advice and guidance on data protection matters are available to all staff and elected Members. Core guidance, practice, procedures and policies shall be held on the Council's intranet. The Data Protection Officer shall ensure that training resources are up to date and promote and ensure the take up of training and advice by staff.

12. Guidance notes

- 12.1 The Data Protection Officer shall, where appropriate to do so, be responsible for issuing guidance notes explaining the practices necessary to ensure compliance with this policy. These guidance notes shall, when issued, be published on the Council's Intranet.

13. Policy review

- 13.1 The Data Protection Officer has responsibility for co-ordinating the maintenance and review of this policy.
- 13.2 Reviews will consider changes in legislation and best practice. The Data Protection Officer is authorised to amend this policy following a review.

DRAFT

This page is intentionally left blank