



RUSHMOOR BOROUGH COUNCIL

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

*to be held as a Virtual Meeting on
Monday, 23rd November, 2020 at 7.00 pm*

To:

Cllr S.J. Masterson (Chairman)
Cllr Mara Makunura (Vice-Chairman)

Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr A.H. Crawford
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr Prabesh KC
Cllr Jacqui Vosper

STANDING DEPUTIES

Cllr Sue Carter
Cllr C.P. Grattan

Enquiries regarding this agenda should be referred to the Committee Administrator,
Marion Young, Democracy and Community, Tel. 01252 398827 or email
marion.young@rushmoor.gov.uk

A G E N D A

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 28th September, 2020 (copy attached).

2. **EXTERNAL AUDIT - 2019/20 ANNUAL ACCOUNTS –**

To receive an oral update from the Executive Head of Finance and Ernst & Young on progress with the 2019/20 External Audit.

3. **ANNUAL GOVERNANCE STATEMENT - UPDATE – (Pages 5 - 14)**

To consider the Audit Manager's Report No. AUD 20/09 (copy attached), which describes the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which was presented to this Committee in July 2020.

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 Monday, 28th September, 2020 at 7.00 pm via Microsoft Teams and streamed live.

Voting Members

Cllr S.J. Masterson (Chairman)
Cllr Mara Makunura (Vice-Chairman)

Cllr Sophia Choudhary
Cllr A.K. Chowdhury
Cllr A.H. Crawford
Cllr Veronica Graham-Green
Cllr Christine Guinness
Cllr A.J. Halstead
Cllr L. Jeffers
Cllr Prabesh KC
Cllr Jacqui Vosper

11. MINUTES

The Minutes of the meeting held on 28th July, 2020 were approved and would be signed by the Chairman at a later date.

12. STATEMENT OF ACCOUNTS AND AUDIT RESULTS 2018/19

The Committee welcomed Andrew Brittain and Justine Thorpe from Ernst & Young (EY). Mr Brittain presented the company's revised Audit Results Report, which summarised EY's audit conclusion in relation to the audit for 2018/19.

The Committee was reminded that most of the outstanding audit issues had been resolved previously with EY, with adjustments made to the accounts by Officers. However, the outbreak of the Coronavirus pandemic had given rise to a Post Balance Sheet Event (PBSE) as it posed an ongoing risk to the Council's financial standing. In order to complete the Accounts and Audit Opinion process, the Statement of Accounts needed to include a detailed Disclosure Note that addressed the impact on the Council's finances from Covid-19 and consideration of the Going Concern basis.

The Committee received the Executive Head of Finance's Report No. FIN2028 which provided Members with an update on audit progress for the Council's Statement of Accounts for 2018/19 and on the provision of audit opinion since the last meeting on 28th July, 2020.

It was noted that an updated Disclosure Note had been sent to EY on 25th September, 2020. Once this had been reviewed by EY, it was expected that a final

audit opinion and audit results report would be received in early October 2020. It was proposed that, in order to finalise the Statement of Accounts process and receive the external Auditor's Report, authority was delegated to the Chairman and to the Executive Head of Finance to approve formally and certify the audited Statement of Accounts and receive the External Auditor's Report from EY. Members would be provided with a copy of the final draft documents in advance to give them a limited opportunity to ask questions and seek clarification on matters identified in the report.

During discussion, the Executive Head of Finance responded to questions on the Corporate Risk Register and management of the Risk Management process.

RESOLVED: That, subject to Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2018/19 and to receive the External Auditor's Report.

13. **INTERNAL AUDIT - AUDIT UPDATE**

The Committee considered the Audit Manager's Report No. AUD20/08 which provided an update on work carried out by Internal Audit for quarter 2 2020/21, including the work slipped from quarter 1, and the expected deliverables for quarter 3.

During discussion, the Audit Manager and Executive Head of Finance responded to questions on S106 payments and the process for monitoring revenue and capital budgets.

RESOLVED: That the audit work carried out in quarter 2 2020/21, including work slipped from quarter 1, and the expected deliverables for quarter 3 2020/21, as set out in the Audit Manager's Report No. AUD20/08, be noted.

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

The Committee received the Executive Head of Finance's Report No. FIN2027 which set out the main activities of the Treasury Management and non-Treasury Investment Operations during 2019/20, and noted that prudential indicators for the 2019/20 financial year had been updated for all treasury management and non-treasury activity during 2019/20.

The Committee was advised that the report was a statutory requirement under the CIPFA Code of Practice on Treasury Management. It was noted that, whilst the restructuring of the investment portfolio during 2018/19 had improved diversification of funds and increased the yield on all treasury management investments by £344,000 from 2018/19, this was less than anticipated due to the down-turn in pooled fund interest at the end of March 2020 caused by COVID-19. The impact of COVID-19 on the return on investments would be monitored closely in 2020/21.

Members were advised that the treasury team continually reviewed the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the 2019/20 financial year, short-term interest rates had remained low and were forecast to remain low. However, borrowing levels had increased, raising refinancing risk. To mitigate, a proportion of borrowing had been moved to one- and two-year durations.

In respect of total borrowing, at 31st March, 2020 this was £90m, an increase of £28.8m from the 2018/19 year-end position. It was noted that the increased level of borrowing had resulted in interest costs increasing by £772,000.

The Committee noted that as at 31st March, 2020 the Council's non-treasury investments risk exposure was £113.6m of which £72.8m was funded via external loans, whilst the return of non-treasury investments was below the estimated return for 2019/20 due to the cost associated with commercial property being clarified during the financial year and the impact of COVID-19.

During discussion, the Executive Head of Finance responded to questions on investment activity, including investment in commercial property.

RESOLVED: That the Executive Head of Finance's Report No. FIN2027 be noted.

The meeting closed at 8.15 pm.

CLLR S.J. MASTERSON (CHAIRMAN)

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LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE**AUDIT MANAGER 23RD NOVEMBER 2020
REPORT NO. AUD 20/09****ANNUAL GOVERNANCE STATEMENT - UPDATE****SUMMARY:**

This report describes the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which was presented to this Committee in July 2020.

RECOMMENDATION:

Members are requested to:

- i. Note the progress 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 (AGS). 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 28th July 2020.
- 1.2 The review of the effectiveness of the Council's governance framework in 2019/20 identified areas for improvement to be actioned during 20/21, which included the carried forward actions from the 2018/19 AGS. 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 (AUD20/07) which included a number of actions to be implemented during 2020/21 in response to Governance improvements identified in the AGS 19/20.
- 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</p> <p><i>Revised date:</i> February 2020</p> <p><i>Revised date:</i> June 2020</p> <p><i>Revised date:</i> March 2021</p>	<p>November 2019 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>March 2020 The new Information Governance officer is now in post. The Information Governance Group (IGG) have met several times and an Information Governance Working Group (IGWG) is now in place and has also met several times.</p> <p>The Information Governance Framework (IGF) has been written and published on the staff Intranet. Programmes of work are being undertaken to ensure adherence to the framework and the key policies that underpin it.</p> <p>Due to Brexit there may be some changes to GDPR, so implementation of this cannot be finalised until the guidance comes out from the ICO.</p> <p>October 2020 Further policy work has been done and there is a full range of guidance available to staff. E learning on data protection and information governance is mandatory for all officers and managers. Government guidance on the impact of Brexit on data protection has been issued this month and is currently being reviewed.</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</p> <p><i>Revised date:</i> December 2019</p> <p><i>Revised date:</i> May 2020</p>	<p>November 2019 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>March 2020 The Corporate Risk Management Group (CRMG) finalised the risk register in December 2019. It is available to be viewed and edited by Senior Managers on the Council's SharePoint pages.</p>

		be going back out to recruitment. This coupled with Covid has delayed development of the long-term plan and the roll out of the second phase of the engagement approach.
Procurement Strategy: Revision and adoption of the procurement strategy	<p>July 2019</p> <p><i>Revised date:</i> February 2020</p> <p><i>Revised date:</i> June 2020</p> <p>Implemented</p>	<p><u>November 2019</u> 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.</p> <p><u>March 2020</u> The final draft of the Procurement Strategy will be considered by the Policy and Project Advisory Board (PPAB) at their meeting in March 2020.</p> <p>Following discussion at PPAB, the Procurement Strategy will be presented to Cabinet and Council in the new civic year.</p> <p><u>October 2020</u> Procurement Strategy was considered by Cabinet at their meeting in August 2020. Subject to a couple of minor amendments, the Procurement Strategy was accepted and adopted.</p>
Financial Regulations: Revision and adoption of the financial regulations	<p>October 2019</p> <p><i>Revised date:</i> February 2020</p> <p><i>Revised date:</i> New Civic Year</p> <p>Implemented</p>	<p><u>November 2019</u> 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.</p> <p><u>March 2020</u> The updated Financial Regulations will be considered alongside the Constitution at the LA&GP Committee on 23rd March, and Council Meeting on 23rd April 2020.</p> <p>A Members Constitution Review Group has reviewed key Constitution documents, and Executive matters considered with the Leader.</p> <p><u>October 2020</u> Financial Regulations were adopted by the Council in May 2020.</p>

<p>Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year):</p> <p>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy</p>	<p>October 2019</p> <p><i>Revised date:</i> December 2020</p>	<p><u>November 2019</u> 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><u>March 2020</u> This has not been progressed due to other priorities regarding major projects and general management of the estate following staff changes. It will be carried out during 2020.</p> <p><u>October 2020</u> An Asset Management Strategy is being developed based on the Asset plans reported through the quarterly monitoring to PIAG. This will cover the significant commercial property assets, with additional work required in Q3 2020 to include non-commercial assets.</p>
<p>Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio</p>	<p>September 2019</p> <p><i>Revised date:</i> March 2020</p> <p><i>Revised date:</i> December 2020</p>	<p><u>November 2019</u> 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> <p><u>March 2020</u> The first review of the commercial investment assets has been reported to</p>

	<p>Revised date: March 2021</p>	<p>PIAG with this now programmed quarterly.</p> <p><u>October 2020</u> Q2 reporting to PIAG in September 2020.</p> <p>Further work on the wider Council debt monitoring process is being undertaken led by Executive Head of Finance. Due Q4 2020.</p> <p>The Overview and Scrutiny Committee reviewed the Property Investment Portfolio in October.</p>
<p>Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council.</p> <p><i>The increase in information risk exposure due to home working will be reviewed by the Information Governance Group.</i></p> <p><i>The information governance policy has been implemented and mandatory online training will be put in place.</i></p>	<p>Dec 2020</p>	<p><u>October 2020</u> The Information Governance Officer has updated the Information Security Policy and guidance to staff on working from home is available on the Intranet. Mandatory training is mitigating the risk as well as regular messaging to staff and managers. As we move forward to full adoption of the Office 365 suite and the systems upgrades through the ICE project information security will be strengthened.</p>
<p>Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income.</p> <p><i>Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.</i></p>	<p>Dec 2020</p> <p>Revised date: March 2021</p>	<p><u>October 2020</u> Further work on the wider Council debt monitoring process is being undertaken led by Executive Head of Finance. Due Q4 2020.</p>
<p>The Council faces a number of significant changes that will require consideration and action as appropriate in 20/21.</p> <p><i>An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems will be needed to ensure good governance. This is being approached with a number of workstreams, which are led by a member of Senior Management.</i></p> <p><i>The streams will assess the risks and develop tactical plans. Updates on the work</i></p>	<p>Ongoing</p>	<p><u>October 2020</u> The Council's Covid arrangements mirror those of the LRF and remain in place. Namely, a strategic Gold Group supported by an operational Silver Group with regular updates being provided to Members through a range of methods including a series of "Member Live" events.</p>

<p><i>being carried out by these workstreams will be regularly provided through the Corporate Management Team normal performance monitoring process.</i></p> <p><i>Furthermore, the Chief Executive has created a new Assistant Chief Executive role to provide support at a senior level in relation to:</i></p> <ul style="list-style-type: none"> • <i>Policy</i> • <i>Strategy</i> • <i>Risk (Becoming the Senior Risk Officer (SRO))</i> • <i>Emergency Planning and Business Continuity</i> • <i>Covid-19 Recovery</i> • <i>Performance</i> 	<p>Recruitment July/Aug 2020</p> <p>Implemented</p>	<p>The financial challenges are regularly considered both by officers and the Cabinet and also the Budget Strategy Working Group. Members are also briefed through the live events mentioned earlier.</p> <p>Workstreams are now business as usual through the relevant Heads of Service and work is ongoing.</p> <p><u>October 2020</u></p> <p>New ACE appointed and starts with the Council on the 19th October 2020.</p>
<p>Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return.</p> <p><i>Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream.</i></p>	<p>Dec 2020</p>	<p><u>October 2020</u></p> <p>Appointment of Commercial Manager confirmed September 2020. Budget Strategy report to Cabinet (October 2020) set out the way in which the 2020/21 budget will be approached in light of Covid-19 pressures. Further report to Cabinet in December 2020.</p>
<p>External Audit have yet to provide an opinion for the 2018/19 accounts.</p> <p><i>The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 18/19 accounts.</i></p>	<p>July 2020</p> <p><i>Revised date:</i> November 2020</p>	<p><u>October 2020</u></p> <p>As reported to LA&GP in September 2020, the final version of 2018/19 Statement of Accounts and the Going Concern Disclosure Note provided to EY in September 2020.</p> <p>Subject to EY's internal consultation process, an audit opinion is likely to be issued early November 2020.</p>

2.3 Progress has made on the actions detailed within the AGS 19/20, presented to the Committee in July 2020. Although, due to the Covid-19 pandemic some actions have been delayed.

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

References:

Annual Governance Statement 19/20 – reported to LA&GP Committee 28th July 2020.

Annual Governance Statement – update report to LA&GP Committee 23rd March 2020.