



## RUSHMOOR BOROUGH COUNCIL

# LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

*To be held remotely on  
Monday, 25th January, 2021 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,  
Kathy Flatt, Democracy and Community  
Tel. (01252 398829) or email [kathy.flatt@rushmoor.gov.uk](mailto:kathy.flatt@rushmoor.gov.uk)

# **A G E N D A**

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 23rd November 2020 (copy attached).

2. **SELECTION OF MAYOR AND DEPUTY MAYOR 2021/2022 – (Pages 5 - 6)**

The Head of Democracy and Community to report on the outcome of the selection process for the Mayor and Deputy Mayor 2021/22. A copy of the criteria for the selection process is attached for information. The Committee will be asked to make a recommendation to the Council.

3. **REVIEW OF RUSHMOOR'S POLLING DISTRICTS AND POLLING PLACES – (Pages 7 - 14)**

To consider the Head of Democracy and Community's Report No. DCS2102 (copy attached), which proposes changes to the arrangements for polling districts and polling places for recommendation for approval to the Council.

4. **UPDATE ON THE LOCAL GOVERNMENT ASSOCIATION MODEL CODE AND DRAFT NEW CODE OF CONDUCT FOR MEMBERS – (Pages 15 - 34)**

To consider the Corporate Manager - Legal's Report No. LEG2101 (copy attached) on a draft new Code of Conduct for Councillors for consultation in light of the new Model Councillor Code of Conduct produced by the Local Government Association.

5. **INTERNAL AUDIT - AUDIT UPDATE – (Pages 35 - 52)**

To receive the Audit Manager's Report No. AUD2101 (copy attached) which sets out work carried out by Internal Audit for Quarter 3, an update on the overall progress towards the 2020/21 audit plan and an update on the counter fraud work carried out in December 2020.

6. **STATEMENT OF ACCOUNTS 2019/20 - UPDATE – (Pages 53 - 56)**

To receive the Executive Head of Finance's Report No. FIN2002 (copy attached) which sets out audit progress on the Council's Statement of Accounts for 2019/20 and on the provision of the audit opinion since the Committee's meeting on 23rd November 2020.

7. **TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2020/21 – (Pages 57 - 84)**

To consider the Executive Head of Finance Report No. FIN2033 (copy attached), which sets out the main activities of the treasury management and non-treasury investment operations during the first half of 2020/21.

8. **TREASURY MANAGEMENT STRATEGY 2021/22 - UPDATE –** (Pages 85 - 88)

To consider the Executive Head of Financial Services' Report No FIN2103 (copy attached) which sets out the Council's Annual Treasury Management Strategy and Non-Treasury Investment Strategy for 2021/22.

9. **APPOINTMENTS TO OUTSIDE BODIES –**

To note the appointment of Cllr Marina Munro, Portfolio Holder for Planning and Economy, to a vacancy on the PCP Hampshire Gypsy and Traveller Community Support Panel for the remainder of the 2020/21 Municipal Year.

**PUBLIC PARTICIPATION AT MEETINGS**

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

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# LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

Meeting held on Monday, 23rd November, 2020 at the via Microsoft Teams and streamed live at 7.00 pm.

## 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

## 15. MINUTES

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

## 16. STATEMENT OF ACCOUNTS AND AUDIT RESULTS 2018/19

The Executive Head of Finance reported that the Letter of Representation and the Statement of Accounts for 2018/19 had been signed off on 23rd November, 2020, in accordance with the delegated authority given to the Chairman and Executive Head of Finance by the Committee at its meeting on 28th September, 2020.

## 17. EXTERNAL AUDIT PLAN - 2019/20 ANNUAL ACCOUNTS

The Chairman welcomed Maria Grindley (Associate Partner, Ernst & Young (EY)) and Justine Thorpe (Audit Manager, EY) to the meeting. The Committee received a copy of EY's Audit Planning Report for the 2019/20 audit, which provided a basis on which to review the proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Audit Plan summarised the auditor's initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks. It was noted that the Audit Plan would cover the work that was planned to provide the Council with:

- an audit opinion on whether the financial statements gave a true and fair view of the financial position as at 31st March 2020 and of the income and expenditure for the year then ended; and
- a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The audit would also take into account several key inputs, including:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all of these inputs.

During discussion, EY representatives answered questions regarding the EY audit team's resourcing and availability to carry out the audit by the proposed deadline of 25 January, 2021; liquidity levels; and the going concern standard.

The Executive Head of Finance highlighted the change in deadlines as a result of Covid-19 and that the draft Accounts for 2019/20 had been prepared by the amended deadline of end August, 2020.

The Chief Executive advised the Committee that he was planning to write to the Senior Partner with Public Sector responsibility at EY to outline his concerns about both the delay in signing off the 2018/19 Accounts and the likelihood of deadlines for 2019/20 also being missed.

**RESOLVED:** That the Audit Planning report by Ernst & Young for the year ended 31st March, 2020 be noted.

## 18. **ANNUAL GOVERNANCE STATEMENT - UPDATE**

The Committee considered the Audit Manager's Report No. AUD20/09 which described the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which had been presented to the Committee in July, 2020.

During discussion, the Audit Manager and Executive Head of Finance responded to questions on Risk Management responsibility, timing of report preparation, and the health and safety of staff working from home

**RESOLVED:** That the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement, be noted.

The meeting closed at 7.40 pm.

CLLR S.J. MASTERSON (CHAIRMAN)

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## 5. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Council has established criteria for selecting the Mayor and Deputy Mayor. The Licensing, Audit and General Purposes Committee keeps the criteria under regular review. The arrangements are as follows:

- 1) The position of the Mayor and Deputy Mayor of the Borough will be taken in order of seniority from all the elected Members of the Council and will be calculated in accordance with the procedure adopted by the Council on 20th May 1976 as follows:  
  
“The order of seniority of Members of the Council shall be determined by the length of previous local government service with the Council, including past service with the former Aldershot Borough Council and Farnborough Urban District Council. In the case where two or more Members have the same length of service, then priority between such Members shall be determined by the number of votes received by each Member expressed as a percentage of the total number of ballot papers issued at the most recent election held in their respective Wards.”
- 2) The normal progression through the Mayoralty will be by the holding of the position of Deputy Mayor and then progressing to the position of Mayor the following year.
- 3) Should an elected Member be in the position of not being able or wanting to accept the nomination when they reach their position within the seniority list, they will be considered in the following Municipal Year, depending on his or her wishes.
- 4) The Offices of Mayor and Deputy Mayor must at all times be apolitical. The Offices should not be used for political advantage.
- 5) Past Mayors will not be considered for the position of Mayor or Deputy Mayor until fifteen years after the completion of the end of their Mayoral Year; at that time their position on the seniority list will be calculated on the basis of total length of service less fifteen years.
- 6) A Member will not normally be selected until that Member has served a full four year term.
- 7) A Member will not normally be selected for Mayor or Deputy Mayor if they are seeking re-election at that year's Borough Council Elections.
- 8) Where a Member who has not been Mayor before has the same number of eligible years' service as a Member who has already been Mayor, the Member who has not been Mayor shall be given priority in the selection process.
- 9) A Member should recognise the time required in carrying out the duties and responsibilities of the Mayor and be able to allocate that time during his or her year of office.

10) Those considered for appointment:

- must demonstrate a broad base of support amongst Members of the Council and all Members will be contacted in writing by the Chief Executive for their views on the proposed candidates after they have been identified from the seniority list.
- should be able to demonstrate some experience of chairing meetings

11) The Mayor-Elect and Deputy Mayor-Elect will be selected at the Licensing, Audit and General Purposes Committee on the basis of the selections being submitted to Council by the end of March.

LICENSING, AUDIT AND GENERAL  
PURPOSES COMMITTEE  
25TH JANUARY 2021

DEMOCRACY AND COMMUNITY  
REPORT NO. DCS2102

## REVIEW OF RUSHMOOR'S POLLING DISTRICTS AND POLLING PLACES

### SUMMARY AND RECOMMENDATION

Over the past four months, the Council has been undertaking a review of its polling districts and polling places. The Elections Group and other Members of the Council have been involved in progressing the review process. The purpose of this Report is to recommend changes to the arrangements for polling districts and polling places.

The Committee is requested to recommend to the Council to approve the proposed changes to polling districts and polling places set out in this Report.

### 1. BACKGROUND

- 1.1 The Representation of the People Act 1983 places a duty on the Council to divide the Borough into polling districts for the purposes of Parliamentary elections and to designate a polling place for each district. The arrangements are generally used for other elections and there is a requirement to keep these arrangements under review. The Electoral Administration Act 2006 requires that regular reviews are undertaken. It has been the Council's practice to assess its polling places and districts on an annual basis to reflect experience and local changes.
- 1.2 In carrying out the review, consideration has been given to a range of issues with specific regard to the criteria of:
- using existing polling places where possible
  - accessibility for electors
  - avoiding the use of mobile stations/temporary structures
  - ensuring the facilities meet the requirements of a range of electoral events

### 2. REVIEW PROCESS

- 2.1 The stages in the review process were as follows:
- Notification of the review primarily through the Council's website and online media.
  - Consultation process with stakeholders and the local community.
  - Preliminary consideration by the Elections Group.

- Discussion with ward Members where issues were raised through the consultation to consider the issues and to finalise proposed polling districts and places.
- Review meeting by the Elections Group on 13th January 2021
- Recommendation to the Licensing, Audit and General Purposes Committee and the Council in February 2021.

### **3. SCHEDULE OF POLLING DISTRICTS AND POLLING PLACES**

3.1 Attached to this Report is a schedule setting out the polling places. The schedule largely meets the criteria established at the start of the review process and the number of changes proposed is minimal. The Elections Group is proposing that there are two new polling places and that only St John's Ward will have a change made to its polling district.

3.2 The proposed two new permanent polling places will be at:

- Parsonage Farm Nursery and Infant School (St Johns Ward)
- Elim Pentecostal Church Hall (North Town Ward)

3.3 The Elections Group also noted that, due to Ascension Church Hall (Rowhill Ward) not being available in 2021, a temporary arrangement should be put in place. This is likely to involve using another venue or venues (eg Rowhill Nature Reserve). The intention would be to revert to using Ascension Church Hall in 2022. In addition, the polling station for Wellington Ward may need to be changed in 2021 because of the use of Princes Hall as a vaccination site. Alternatives are being considered, the most likely being the Empire in the High Street.

### **4. FINANCIAL IMPLICATIONS**

4.1 If the Council approves the recommendations, the number of polling places will increase by one. The financial implications of this are minimal and have been provided for through the budgeting process for the elections.

4.2 Where there are changes, there will be a small one-off cost of providing some additional publicity of the new venues to electors. There will also be some minor changes to be made to the Electoral Register and these will be picked up for March 2021.

### **5. CONCLUSIONS**

5.1 The Council is required to carry out a review of polling districts and polling places periodically and this review has been a useful exercise to check the suitability of the existing arrangements. In some wards there were few alternatives to the existing places and the exercise has shown that the arrangements are generally fit for purpose.

5.2 The Elections Group will keep the arrangements under review and consider whether any adjustments need to be made for 2022.

**Andrew Colver**  
**Head of Democracy and Community**

**Background Papers:**  
Schedule of polling districts and polling places

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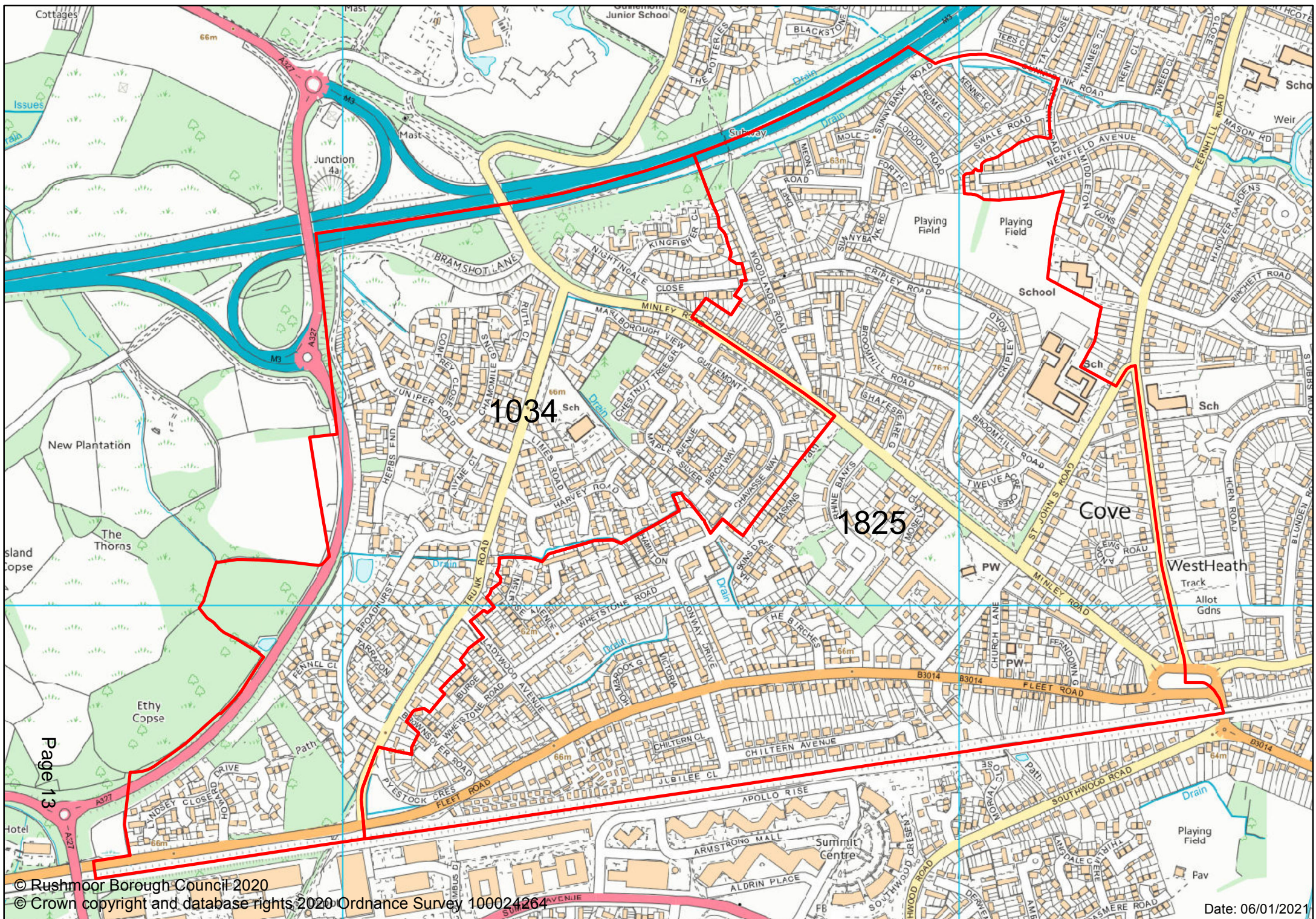
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**Polling Districts and Polling Places: Current Structure**

<b>Polling District</b>	<b>Ward</b>	<b>Polling Station</b>	<b>Consultation Comments</b>	<b>Proposals (No Change/alternative)</b>
AA	Aldershot Park	Park Primary School	Parents of children attending the school and the school governing board have requested the use of another building.	<b>No change</b> – On further investigation and following consideration with the ward councillors it has been agreed that there is currently no alternative to Park School.
AB	Aldershot Park	Aldershot Methodist Church	None	<b>No change</b>
CA	Cherrywood	Church of the Good Shepherd	None	<b>No change</b>
CB	Cherrywood	Grange Community Junior School	None	<b>No change</b>
CSA	Cove & Southwood	Southwood Infant School	None	<b>No change</b>
CSB	Cove & Southwood	St Christopher's Church	None	<b>No change</b>
EA	Empress	North Farnborough Infant School	None	<b>No change</b>
EB	Empress	Our Lady & St. Dominic Church Hall	Thinking of the increase in properties around Farnborough Airport consideration should be given to having an additional polling place at the Council Offices.	<b>No change</b> – After discussions with the ward councillors this will not progress forward at the current time
FA	Fernhill	Guillemont Junior School	None	<b>No change</b>
FB	Fernhill	Fernhill Primary School	Request from the school to find an alternative venue for polling day.	<b>No change</b> – Consultation undertaken with the ward councillors. The only suitable alternative was All Saints Church Hall but this is unable to accommodate elections on the scheduled days
KA	Knellwood	Farnborough Bowling Club	Request to find an alternative venue as it was considered unsuitable and near another polling station in the ward	<b>No change</b> – Following consultation with the ward councillors, it was agreed that the existing arrangements are most suitable.
KB	Knellwood	St Peters Parish Centre	None	<b>No change</b>
KC	Knellwood	Mobile - King George V Playing Fields	None	<b>No change</b>
MA	Manor Park	St Josephs R.C. Primary School	None	<b>No change</b>
MB	Manor Park	2nd Aldershot Scout Group	None	<b>No change</b>
NA	North Town	Alderwood Junior School	Parents of children attending the school have requested using another building.	<b>Change</b> – Elim Pentecostal Church on Holly Road was a suggested alternative and on further investigation and consultation with the ward councillors this venue is considered well suited as a venue for elections. Parking will be reviewed after the elections.
NB	North Town	North Town Community Base	None	<b>No change</b> – This polling place will need to be reviewed at some stage when the next phase of the North Town redevelopment is underway
RA	Rowhill	Ascension Church Hall	None	<b>No change</b> . However, the Hall is not available for 2021 so a temporary solution is being sought.
RB	Rowhill	4th Aldershot Scout Hq	None	<b>No change</b>
SJA	St Johns	St John's Church Hall	Request from ward councillors to split the ward into two polling districts and use Parsonage Farm Nursery and Infant School at the other location.	<b>Change</b> - Parsonage Farm Nursery and Infant School has agreed to the use the building for elections and this will have no impact on the school as it is separate. St Johns will be divided into two polling districts in accordance with the attached plan.
SMA	St Marks	Our Lady Help of Christians	Request from ward councillor to consider allocating an additional polling place as the ward is widely spread.	<b>No change</b> – At present there is no other well situated buildings to accommodate those on the Queens Gate development or enough electors registered in the military accommodation to justify a polling place there. The arrangements will be kept under review
WA	Wellington	Princes Hall	Thinking of the increase in properties on the Wellesley development consideration to be given into an additional venue.	<b>No change</b> – At present there is no suitable venue for use as a second polling place. The arrangements will be monitored in coming years as more properties are built. In 2021 the use of the Princes Hall is likely to mean that the polling station will be relocated, possibly at the Empire in the High Street
WHA	Westheath	Blunden Hall	None	<b>No change</b>
WHB	Westheath	Manor Infant School	None	<b>No change</b>

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**LICENCING, AUDIT & GENERAL  
PURPOSES**

**MONITORING OFFICER  
REPORT NO: LEG2101**

**25<sup>th</sup> JANUARY 2021**

**UPDATE ON THE LOCAL GOVERNMENT ASSOCIATION MODEL CODE AND  
DRAFT NEW CODE OF CONDUCT FOR MEMBERS**

**SUMMARY:**

The current Code of Conduct for Councillors requires to be updated and consulted upon in line with the best practice recommendations of the Committee on Standards in Public Life following their report into Ethical Standards in Local Government. A new Model Councillor Code of Conduct ('Model Code') has been produced by the Local Government Association. This is designed to protect Councillor's democratic role, encourage good conduct and safeguard the public's trust in local government. A draft new Code of Conduct for Councillors ('the draft new Code') mirroring this Model Code has been produced for consideration and for consultation in order to finalise a new Code for adoption by Council in due course.

**RECOMMENDATION:**

That the terms of the draft new Code be noted and agreed for consultation. Further, that the Committee agree a six-week period of consultation with Councillors, members of the public, community organisations and neighbouring authorities on the draft new Code. Following this, a report to be brought to the meeting of the Licensing Audit and General Purposes Committee on the 29<sup>th</sup> March 2021 with a final draft new Code, taking into account responses to the consultation for consideration and recommending the adoption of a new Code of Conduct by Council if appropriate.

**1. INTRODUCTION**

- 1.1 The Local Government Association (LGA) has published a new Model Code of Conduct after extensive consultation across the sector during the Summer of 2020. The Model Code was developed in order to support local government to continue to aspire to high standards of leadership and performance. The Committee on Standards in Public Life (CoSPL) reported on Ethical Standards in Local Government in 2019 and this report has informed the work of the LGA in producing a Model Code. The CoSPL report included 15 best practice recommendations in relation to the standards regime and ethical practice which they expect every local authority to implement. The current Rushmoor Member of Code of Conduct requires to be updated to meet certain of these best practice recommendations in relation to prohibitions on bullying and harassment; a requirement for councillors to comply with any formal standards

investigation and a prohibition re trivial or malicious allegations by Councillors. The publication of the Model Code presents the opportunity to both meet the best practice recommendations of the CoSPL and to modernise the Rushmoor Code, providing a very clear framework for all members in upholding the ethical values set out in the Model Code and clear guidance on meeting the Seven Principles of Public Life.

- 1.2 The stated purpose of the new Model Code is to assist councillors to make clear the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken under the Code. It also seeks to protect councillors, the public, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and specific obligations in relation to standards of conduct. The fundamental stated aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **2. BACKGROUND**

- 2.1 The current Code of Conduct for Councillors applies to all Members and Co-opted Members of the Council when acting in their official capacity, or when giving the impression that they are acting as a representative of the Council. The current Code provides a list of general obligations for all Members of the Council to comply with including valuing colleagues and officers and treating everyone with respect and propriety. It focusses very much on declarations of interest and the impact of certain interests on the Member's ability to take part in the decision-making process. It does not positively state the commitment of elected Members as to the standards of behaviour that is expected of those elected to serve in public office nor give examples to guide. As such it does not meet the requirements of the CoSPL best practice recommendation in relation to providing clear guidance on preventing bullying and harassment.

## **3. THE COMMITTEE ON STANDARDS IN PUBLIC LIFE**

- 3.1 The recommendation from the CoSPL is that all local authorities should include a prohibition on bullying and harassment in codes of conduct with a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by the definition so that it is very clear what harm this seeks to address. A further recommendation of the CoSPL is that councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.
- 3.2 The CoSPL highlighted in their report the danger of drawing too narrow a scope for the application of the Code of Conduct as this make it difficult to effectively deal with some instances of poor behaviour particularly in relation to social media use. The CoSPL recognised the question of public and private capacity raised significant issues about the responsibilities of elected representatives. It said that whilst democratic representatives need to have their right to free speech and freedom of expression protected, the public interest demands that they meet certain responsibilities in that role.

- 3.3 The CoSPL recognises the widespread use of social media presents a particular challenge to deciding whether a code of conduct applies to instances of behaviour. In line with the guidance provided in Wales, the CoSPL consider that when a social media account identifies the individual as a councillor or an individual makes comments related to their role as a councillor, then the code of conduct applies.
- 3.4 The CoSPL also recognises that an individual's private life – that is, private behaviour in a personal capacity – should remain out of scope. This includes, for example, what is said in private conversations (where those conversations are not in an official capacity), but it says that those in high-profile representative roles, such as councillors, should consider that their behaviour in public is rightly under public scrutiny and should adhere to the Seven Principles of Public Life. This includes any comments or statements in print, and those made while speaking in public or on publicly accessible social media sites.
- 3.5 This does not, however, mean that councillors should be censured just because an individual dislikes or disagrees with what they say; standards in public life do not extend to adjudicating on matters of political debate. Controversial issues must be able to be raised in the public sphere, and councillors should have their right to form and hold opinions respected. Established rights to freedom of expression must be respected by councils when adjudicating on potential misconduct, considering the heightened protection granted to political expression.
- 3.6 The Committee on Standards in Public Life accordingly recommended that Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media.

#### **4. THE CONSULTATION DRAFT COUNCILLOR CODE OF CONDUCT**

- 4.1 The consultation draft new Code mirrors the Model Code of Conduct produced by the LGA and is appended to this report. Members will note the layout commences with a reference to the general principles of councillor conduct and the need to uphold the **Seven Principles of Conduct in Public Life**, also known as the Nolan Principles. These are appended to the draft new Code as they are in the current Code however in the new Code there is a greater emphasis on the link to the principals of the role of councillor set out in the Code. This focus on councillor conduct is helpful clarification for members given that the Nolan Principles are quite high level as they apply to all of those who serve the public or deliver public services.
- 4.2 The draft new Code applies to councillors acting in their capacity as a councillor including when a councillor misuses their position as a councillor and also where the actions of the councillor give the impression to a reasonable member of the public with knowledge of all the facts that the councillor is acting as a councillor.

- 4.3 The draft new Code is written in the first person and runs clearly through when it will apply and the fact that it applies to **all** forms of communication and interaction with a list including social media communication. The draft new Code sets out the **minimum** standards of conduct required of councillors with guidance on the reasons for the obligations and how they should be followed. If a councillor's conduct falls short of these standards it is made clear that on receipt of any complaint, this may result in action being taken.
- 4.4 The obligations include treating others with respect; not bullying or harassing anyone and the promotion of equalities; not attempting to compromise the impartiality of anyone working for, or on behalf of, the Council. There is an obligation of confidentiality, and not using knowledge gained solely as a result of being a councillor for advancement of self or others; and not preventing anyone from getting information they are entitled to by law. A councillor must not bring their role of the council into disrepute nor must they use or attempt to use their position improperly to the advantage/disadvantage of themselves or others. A councillor must not misuse council resources. A councillor is required to undertake training on the code and cooperate with any investigation under the code. A councillor is obliged to register and disclose interests and disclose gifts and hospitality with a value of £50 within 28 days of receipt and register any significant gift or hospitality that they have been offered but have refused to accept.

## **5. REGISTRATION AND DISCLOSURE OF INTERESTS**

- 5.1 The new draft Code maintains, as it must do, the legal requirement within 28 days of election or re-election to register Disclosable Pecuniary Interests in accordance with The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. There is also a requirement to register the details of other personal interests which are referred to as 'Other Registrable Interests'. A list and description of these types of Interest are contained within tables in the new draft Code.
- 5.2 The new draft Code clearly sets out the implications of the existence of such interests in relation to a councillor taking part in any discussion or decision making on a matter in which they have any interest.
- 5.3 The new draft Code simplifies the description and impact of personal interests and does not contain reference to the concept of 'prejudicial interests' which are somewhat difficult to navigate in the current Code. In so doing it removes the requirement to apply an additional subjective test.

## **6. SUMMARY AND RECOMMENDATIONS**

- 6.1 The new draft Code simplifies and provides timely helpful clarification and guidance to members in navigating their role in a time of growing social media use and potential for intimidation and abuse. At the same time the new draft Code seeks to reassure members of the public that those they elect will be accountable in meeting the behaviours set out in the Seven Principles of Public Life and taking decisions in a fair and transparent way.

- 6.2 It is recommended that the terms of the draft new Code be noted and agreed for consultation. Further, that the Committee agree a six-week period of consultation with Councillors, members of the public, community organisations and neighbouring authorities on the draft new Code. Following this, a report to be brought to the meeting of the Licensing Audit and General Purposes Committee on the 29<sup>th</sup> March 2021 with a final draft new Code, taking into account responses to the consultation for consideration and recommending the adoption of a new Code of Conduct by Council if appropriate.

**BACKGROUND DOCUMENTS:**

1. *Local Government Association Model Member Code of Conduct Consultation May 2020*
2. *LGA Model Councillor Code of Conduct December 2020*
3. *Report of the Parliamentary Committee on Standards in Public Life Report on Local Government Ethical Standards January 2019.*

**CONTACT DETAIL:**

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**RUSHMOOR BOROUGH COUNCIL  
MEMBERS' CODE OF CONDUCT 2021  
(CONSULTATION DRAFT)**

## **Definitions**

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

## **Purpose of the Code of Conduct**

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

## **General principles of councillor conduct**

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person

- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest

### **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- You misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- At face-to-face meetings
- At online or telephone meetings
- In written communication
- In verbal communication
- In non-verbal communication
- In electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer or your two Deputy Monitoring Officers on any matters that may relate to the Code of Conduct.

### **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### ***General Conduct***

#### **1. Respect**

**As a Councillor:**

- 1.1 I treat other councillors and members of the public with respect
- 1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

**2. Bullying, harassment and discrimination****As a Councillor:**

- 2.1 I do not bully any person
- 2.2 I do not harass any person
- 2.3 I promote equalities and do not discriminate unlawfully against any person

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

#### **As a Councillor:**

**3.1** I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

### **4. Confidentiality and access to information**

#### **As a Councillor:**

**4.1** I do not disclose information:

- a) Given to me in confidence by anyone
- b) Acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless
  - i. I have received the consent of a person authorised to give it;
  - ii. I am required by law to do so;
  - iii. The disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
  - iv. The disclosure is:
    1. Reasonable and in the public interest; and
    2. Made in good faith and in compliance with the reasonable requirements of the local authority; and
    3. I have consulted the Monitoring Officer prior to its release.

**4.2** I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests

**4.3** I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that

discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

### **As a Councillor:**

**5.1** I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

### **As a Councillor:**

**6.1** I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Use of local authority resources and facilities**

### **As a Councillor:**

**7.1** I do not misuse council resources.

**7.2** I will, when using the resources of the local authority or authorising their use by others:

- a) act in accordance with the local authority's requirements; and
- b) ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- Office support
- Stationery
- Equipment such as phones, and computers
- Transport
- Access and use of local authority buildings and rooms

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **8. Complying with the Code of Conduct**

**As a Councillor:**

- 8.1** I will undertake Code of Conduct training provided by my local authority
- 8.2** I will cooperate with any Code of Conduct investigation and/or determination
- 8.3** I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings
- 8.4** I will comply with any sanction imposed on me following a finding that I have breached the Code of Conduct

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer or the Deputy Monitoring Officers.

Protecting your reputation and the reputation of the local authority.

## **9. Interests**

**As a Councillor:**

- 9.1** I register and disclose my interests

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority.

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open

and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

## **10. Gifts and hospitality**

### **As a Councillor:**

- 10.1** I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage
- 10.2** I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt
- 10.3** I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer or Deputy Monitoring Officers for guidance.

## **Appendices**

### **Appendix A – The Seven Principles of Public Life**

The principles are:



**Selflessness**

Holders of public office should act solely in terms of the public interest.

**Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

**Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

**Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

**Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

**Honesty**

Holders of public office should be truthful.

**Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

**Appendix B – Registering Interests**

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out

in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“**Disclosable pecuniary interest**” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in **Table 1** below.

**"Partner"** means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

#### **Non-participation in case of disclosable pecuniary interest**

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

#### **Disclosure of other registerable interests**

6. Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

#### **Disclosure of non-registerable interests**

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
  - a) your own financial interest or well-being;
  - a) A financial interest or well-being of a friend, relative, close associate; or
  - b) A body included in those you need to disclose under Disclosable Pecuniary Interests as set out in **Table 1**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
  - a) To a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
  - b) A reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

### Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
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<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses.  This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the Council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
<b>Land and Property</b>	Any beneficial interest in land which is within the area of the Council.  'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
<b>Licenses</b>	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
<b>Corporate tenancies</b>	Any tenancy where (to the councillor's knowledge) - (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.

<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either -</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>
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*\* ‘director’ includes a member of the committee of management of an industrial and provident society.*

*\* ‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.*

**Table 2: Other Registerable Interests**

<p>You have a personal interest in any business of your authority where it relates to or is likely to affect:</p> <p>a) Anybody of which you are in general control or management and to which you are nominated or appointed by your authority</p> <p>b) Anybody</p> <p>(i) Exercising functions of the public nature</p> <p>(ii) Exercising functions of a public nature</p> <p>(iii) One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)</p>
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**LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE**  
**25<sup>TH</sup> JANUARY 2021**

**AUDIT MANAGER**  
**REPORT NO. AUD2101**

**INTERNAL AUDIT – AUDIT UPDATE**

**SUMMARY:**

This report describes the work carried out by Internal Audit for quarter 3, an update on the overall progress towards the 2020/21 audit plan, and an update on the Counter fraud work carried out to December 2020.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work carried out in quarter 3.
- ii. Note the update to the expected deliverables for quarter 4.
- iii. Note the Counter Fraud work carried out.

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit for Q3 2020/21.
- An update on progress towards the audit plan for 2020/21
- A schedule of work expected to be delivered in Q4.
- An update on the Counter fraud work carried out to December 2020.

**2 Progress towards the 2020/21 plan**

2.1 Since the last update to the Committee the following changes have been made to the audit plan:

- The Financial Assistance audit has been deferred to the 2021/22 audit plan due to the resources required to carry out the Alderwood Leisure Centre audit.
- FMS and Bank Reconciliation will commence in January 21 (Q4) due to the start date being slipped by the contract auditors and resources then not being available within the Finance team until January.
- NNDR Billing and Collection will commence in January 21 (Q4) due to the start date being slipped by the contract auditors and resources then not being available within the Revenues team until January due to Covid-19 grants.

- Purchase Ledger will commence in February 21 (Q4) due to the start date being slipped by the contract auditors and resources then not being available within the Finance team until February.

2.2 The table below provides a summary of progress relevant to the 2020/21 audit plan, including the changes to the plan detailed above in 2.1:

Audit Status	Number of reviews	%
Finalised	4	25%
Draft report with Auditee for management response	2	12.5%
Testing in progress	3	18.75%
Not yet started	2	12.5%
Originally planned to be completed in Q4	5	31.25
<b>Total</b>	<b>16</b>	<b>100%</b>

2.3 Assurance has been provided by the contract auditors that the delay's will not impact on the delivery of the audits for the end of the financial year. Regular update meetings have been scheduled to ensure that audits will be completed on time.

### 3. Audit work completed

3.1 The table below provides an overview of the assurance opinions, given to completed audits since the last update, based on Internal Audits assessment of the control environment:

Audit title	Assurance Opinion	Recommendations by priority		
		High	Medium	Low
<b>2020/2021 Internal Audit Plan</b>				
Alderwood Leisure	No Assurance	5	13	1
Car Park PCNs	Substantial	0	5	1

3.2 The table above highlights one key audit, Alderwood Leisure, for Members and Senior Management to be concerned with due to the lack of control in place which presents high risk to the Council. Due to this no assurance opinion has been given.

3.3 The following provides a high-level overview of the audits completed, specifically highlighting the key findings and governance issues which



Members and Senior Management should be made aware of. *(Full details of all findings are presented within Appendix A)*

Alderwood

<b>Assurance Level</b>	<b>No Assurance</b> - <i>No controls that achieve the system/function/process objectives, are in place.</i>
<b>Key findings/ governance issues</b>	<ul style="list-style-type: none"> <li>• There are no controls or clear audit trails in place to ensure that the payments due for facilities used are received by the Council. The audit identified a £26K shortfall for 2019/20, but it is unclear who has not made payment.</li> <li>• Discounts are given from the set price list but there are no controls in place for the amount/ level of discount or details for what the criteria to receive the discount is.</li> <li>• There is no formal process in place for the recovery of outstanding debts. As at August there was £32K outstanding according to the EZ facility system used by Alderwood for bookings/invoices.</li> </ul>
<b>Management Comment</b>	<p>The outcome of the audit of Alderwood leisure Centre has been discussed with the Head of Service and has been reported through to the Executive Leadership Team (ELT). As a result, a robust response to the findings which show that the financial processes, records and controls are weak. Given the number and significance of the actions required, immediate action is being taken to address the issues. This includes:</p> <ul style="list-style-type: none"> <li>• Work to address each individual action included in a written plan</li> <li>• Regular meetings with the Head of Service for managers to provide update and clarity on the new working arrangements and processes</li> <li>• Written procedures to be established</li> <li>• A review of management arrangements for the centre</li> <li>• Follow up audit in 3-6 months to check on progress</li> </ul> <p>As part of the response a fundamental review of the operation of the centre is also being carried out and this will be discussed with the Portfolio Holder. A further report will be made to ELT.</p>

Car Park PCNs

<b>Assurance Level</b>	<b>Substantial</b> – <i>Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.</i>
<b>Key findings/ governance issues</b>	No major governance issues were identified although a few minor points include:

	<ul style="list-style-type: none"> <li>• There is a gap in controls with regards the automated telephone system. This allows people to make partial payments rather than the whole amount for PCNs.</li> <li>• Policy and guidance notes are not up to date, reflecting current practices.</li> </ul>
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3.4 In addition to the above, Internal Audit also provided consultancy work in relation to the Car Park Income reconciliation and the Social Media Investigation policy during this quarter.

#### 4. Expected deliverables for Q4 2020/21

4.1 The work expected to be completed in quarter 4 is detailed within the table below. However, a review will be undertaken of expected deliverables for quarter 4, in relation to the resource availability within the services whilst ensuring that sufficient coverage is provided to enable an audit opinion to be given at the end of the year and fed into the Annual Governance Statement. Any changes to the expected deliverables will be communicated to the Committee.

Service	Audit/ follow up/descriptor	Status	Expected
ICT, Facilities & Project Services	External Tenants within the Council Offices – <i>A review of the agreements in place with the external tenants and the management of them. The number of tenants within the Council offices has recently increased.</i>	Currently finalising testing. Findings to be communicated in quarter 4.	Q4 2020/21
CMT/ELT	Housing company/ RDP set up – <i>A review of the governance arrangements for the setup of the Housing company and RDP.</i>	Currently at draft report stage. Findings to be communicated in quarter 4.	
Regeneration & Property	Council Property Maintenance – <i>A review of the process for identifying maintenance required on Council property and ensuring this is appropriately planned and budgets in place.</i>	Currently testing being carried out. Findings to be communicated in quarter 4.	
ICT, Facilities & Project Services	IT Application Patch Management – <i>A review of the patch management arrangements in place for the Council's applications.</i>	Currently at draft report stage. Findings to be communicated in quarter 4.	

Finance	FMS & Bank reconciliation – <i>A key financial system review.</i>	Due to commence	
Finance	Purchase Ledger – <i>A key financial system review.</i>	Due to commence	
Finance	NNDR Billing & Collection – <i>A key financial system review.</i>	Due to commence	
Finance/ Executive Director	ICE – Cost of Changes - <i>A review of the cost of the changes for the ICE programme. Savings have been highlighted but what was the cost of these savings.</i>	Due to commence	
Assistant Chief Executive	Performance Management – <i>A review of the new process in place.</i>	Due to commence	
HR	Payroll – <i>A key financial system review.</i>	Due to commence	
Finance/ relevant service	Capital Projects – <i>A review of a capital project from the capital programme.</i>	Due to commence	

## 5. Counter fraud work

### Fraud and irregularities

- 5.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported to date during 2020/21.
- 5.2 The table below summaries the number of referrals for reactive work which have been carried out by the end of December 2020:

Total number of referrals	Number rejected	Number closed with errors identified	Number closed no fraud identified	Number still in progress
<b>47</b>	<b>7</b>	<b>5</b>	<b>17</b>	<b>18</b>

- 5.3 Proactive work carried out to the end of December has been carried out in the following areas:
- Covid-19 Business support grants. Checks were carried out on 172 applications prior to payment of the first round of grants in April - June and 22 were checked prior to payment of the second round of grants in November/December.
  - Further account verification checks were carried out with NFI on 965 business grants paid in April - June. This resulted in 65 accounts

having further checks carried out by the investigation team, with one account currently being investigated further.

- A 10% sample of test and trace payments for benefits is being carried out monthly to ensure that the criteria for the payment is being met.

#### Regulation of Investigatory Powers Act

5.4 As part of the Council's Regulations of Investigatory Powers Act (RIPA) policy and in line with requirements from the Investigatory Powers Commissioners' Office, below is details on the number of RIPA applications made for investigation work to the end of December 2020.

5.5 No investigations have been undertaken which required RIPA approval.

## **6. Recommendation**

6.1 Members are requested to note the information provided within the report in relation to the audit work carried out in Quarter 3, the expected deliverables for Quarter 4 and the Counter Fraud work carried out.

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

**References:** *Internal Audit – Audit Plan* report, presented to the Committee on the 23<sup>rd</sup> March 2020.

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CIId=166&MIId=666&Ver=4>

## AUDIT FINDINGS ON 2 ITEMS: ALDERWOOD LEISURE CENTRE AND CAR PARK PCNS

<b>Audit Title 1</b>	Alderwood Leisure Centre		
<b>Year of Audit</b>	2020/21		
<b>Assurance given</b>	<b>No Assurance</b> - <i>No controls that achieve the system/function/process objectives, are in place.</i>		
<b>Overview of area</b>	<p>Alderwood Leisure is an outstation of the Council.</p> <p>In 2016 a report was taken to Cabinet in order for the centres opening hours to be reduced to evenings and weekends. With the reduction in overheads it was stated that a £10k surplus would be made each year which would look to reduce down the deficit in place at the time.</p> <p>Due to ongoing financial difficulties and the added impact of Covid-19 the £10k surplus each year has not been realised and a deficit remains in place.</p>		
	<b>Key findings</b>	<b>Management response and agreed action</b>	<b>Action by who and when</b>
	<p>A generic 'reception' access is used on the EZ facility system, which all Alderwood staff can use while on reception.</p> <p><b><u>Risk</u></b> <i>Any action carried out on the EZ facility system would be unclear as to whom had carried out it out which could create issues should there be any misuse of the system.</i></p>	<p>The option for staff to use generic reception access on EZ facility system has been removed. Staff now log on under own name.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>
	<p>There is no detailed contract to define the SLAs or the safeguarding of information held on the EZ facility system.</p> <p><b><u>Risk</u></b> <i>The data stored by EZ facility may not be in line with the relevant legislation and data from the system may not promptly restored when required.</i></p>	<p>EZ facility have provided copy of contract 26/11/20.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>

	<p>The Council's procurement requirements have not been adhered to with the EZ facility contract, as it should have been reviewed at least within the last 4 years and quotes obtained from other providers. Furthermore, there is no contract end date therefore enabling it to be a rolling contract which is not in line with procurement requirements.</p> <p><b><u>Risk</u></b>  <i>Without testing the market or reviewing the contract, it is unclear if the Council is obtaining the best value or service from the system provider and the Council may be seen to not be transparent with the contract in place.</i></p>	<p>Arrangements will be put in place for a new procurement process to reflect agreed processes for procurement. Discussions to be held with IT relating to the specification. Consideration will also be given to the future management arrangements for the site before the completion of the procurement process.</p>	<p>Martin Sterio, <i>Health and Physical Activity Officer</i></p> <p>31/01/2021</p>
	<p>The invoice date shown on the invoice is in some cases more than a monthly before the invoice is sent to the customer.</p> <p><b><u>Risk</u></b>  <i>This could cause confusion with the customer as to when payment is due.</i></p>	<p>When changes are made to a booking on the facility the dates of the event needs to be shown not the date when the change was made.  Staff to be aware that dates must be checked when making changes.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>
	<p>Invoices raised are not always shown on the 'invoice' tab within the EZ facility system.</p> <p><b><u>Risk</u></b>  <i>If all invoices raised are not clearly shown on the EZ facility system, then it would be unclear that these payments were due. Therefore, payment would not be chased.</i></p>	<p>When raising future invoices, the details will be recorded against the hirer.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>
	<p>It is unclear to identify if payments have been received for all of the bookings made as clear payment records are not held on the EZ facility system and unclear narratives on the Integra code.</p> <p><b><u>Risk</u></b></p>	<p>The Centre Manager to work with IT examine how the EZ system can be tied into RBC systems. Meeting held with IT on 6/01/2021 to discuss requirements to</p>	<p>Chris Beckett, <i>Centre Manager</i></p>

	<i>If payments received cannot be easily identified against bookings made, then it would be unclear to determine if the total amount due for all bookings has been received.</i>	integrate the two systems and this is now being investigated with EZ.	
	<p>Payments received against invoices are manually reduced on the EZ facility system which opens it up to human error.</p> <p><b><u>Risk</u></b> <i>Invoices could be reduced by an incorrect amount and this may not be identified.</i></p>	When payments are made the amount is now automatically subtracted from the outstanding balance.	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>
	<p>There is no process in place for Alderwood to be notified about direct bank transfers received or for the Centre Manager to monitor the code for any direct payments. Therefore, the invoice will remain outstanding on the EZ facility system.</p> <p><b><u>Risk</u></b> <i>If checks are not carried out to ensure that all direct payments are allocated against invoices/ bookings, then the amount could be chased as an outstanding debt when actually it has been paid.</i></p>	The Centre Manager to make arrangements to liaise with Finance when payments are received and then monitor the Integra system on a daily basis.	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>
	<p>The set price list does not detail pricing for all bookable facilities at Alderwood.</p> <p><b><u>Risk</u></b> <i>Without a set price it would not be clear to all officers what should be charged for the use of these facilities. Therefore, inconsistencies could occur.</i></p>	The price list now includes all areas available for hire.	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>
	<p>The reason for giving a discount from the set price list is not clearly defined. Furthermore, there is no guidance in place for when a discount is applicable or the level that should be applied.</p> <p><b><u>Risk</u></b> <i>Without a clearly defined discounting structure or clear reasoning for the discount inconsistencies can occur</i></p>	Terms of reference for Centre charging highlighting the rationale for increasing or de-creasing rates is being developed. This will be discussed and agreed with Head of Service.	<p>Martin Sterio, <i>Health and Physical Activity Officer</i></p> <p>31/01/2021</p>

	<i>and the transparency of reductions given will not be visible.</i>		
	<p>The amount actually charged for facilities is not detailed within the EZ facility system. This information is only known by the officer.</p> <p><b><u>Risk</u></b> <i>If details of the charges applicable are not detailed on the system, this could cause issues if the officer with the knowledge is not available. Furthermore, it allows for inconsistencies to be applied for charging of the facilities.</i></p>	<p>Under each club/group booking the amount charged will be recorded in the notes section of the hirer's personal details on the EZ system. In addition, the charges will be shown on the paper copy the hirer completes.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>
	<p>Prices set are not approved in line with other Council fees and charges. It is unclear if appropriate authorisation is in place for the reduction of the fees and charges in line with the Council's Constitution, especially with the overall reduction of £95K being applied in 19/20.</p> <p><b><u>Risk</u></b> <i>If the fees and charges are not subject to scrutiny, then it would be unclear if the prices set are appropriate for the facilities. Furthermore, without the appropriate authorisation to offer discounts on the charges set this could be contravening the Council's constitution</i></p>	<p>An annual price review will take place in October with revised prices scrutinised and agreed by the Head of Service and through the review of fees and charges process</p>	<p>Martin Sterio, <i>Health and Physical Activity Officer</i></p> <p>31/01/2021</p>
	<p>A shortfall of approximately £26K was identified based on the amount that was due from the facilities booked and the amount shown on the Integra code. Due to an unclear audit trail it cannot be determined which bookings have not been paid for.</p> <p><b><u>Risk</u></b> <i>Without an appropriate audit trail in place for the payments of the facilities shortfalls will continue to be</i></p>	<p>EZ can link some of its system to RBC to identify payments received, invoices outstanding. Following the meeting with IT, this is being picked up with EZ</p>	<p>Chris Beckett, <i>Centre Manager</i></p>



	<i>made without being identified, resulting in reduced income for the Council.</i>		
	<p>There is no procedure in place for the regular monitoring and recovery of outstanding invoices. The total amount shown as outstanding on the EZ facility system is £32K.</p> <p><b><u>Risk</u></b> <i>Without appropriate recovery procedures in place and regular monitoring of debts outstanding these will become more difficult to recover and results in a further loss to the Council of income due.</i></p>	<p>System to be introduced for recovery to include monthly monitoring and reporting. At the start of each month the Centre Manager will collate a list of outstanding invoices and contact payees.</p> <p>One-off events to pay in advance or on the day. No invoicing</p> <p>A new three-month invoicing system is now in place</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>
	<p>It is unclear what checks are carried out when daily cash reconciliation discrepancies are identified.</p> <p><b><u>Risk</u></b> <i>If sufficient checks are not carried out to identify the reason for the discrepancy, then they could continue to occur.</i></p>	<p>The previous days takings are reviewed the following day and any discrepancies are investigated recorded. For minor amounts, these will be collated each week and any discrepancies identified.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place</p>
	<p>A list of active and expired members cannot be produced from the EZ facility system. Therefore, it is not clear how many active members there are of the facility or the total amount of income due.</p> <p><b><u>Risk</u></b> <i>Without knowing the total number of active members for a period of time it is unclear how utilised the facilities are or what income is due.</i></p>	<p>The membership list will be updated to include only people using the fitness suite. Past members to be in a holding section. Member details will be recorded so that payments can be tracked within EZ facility.</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>
	<p>It is unclear when memberships are due to expire on the EZ facility system as the date is not recorded on the system. Therefore, it is unclear when monthly payment is due.</p> <p><b><u>Risk</u></b></p>	<p>The dates that a member has paid for are on their personal details section. The amount and date paid will be shown in the notes section of their details. When imputing member details the information will be formatted to show a</p>	<p>Chris Beckett, <i>Centre Manager</i></p> <p>20/12/20</p>

	<i>If a contract end date is not detailed on the EZ facility system, then it is unclear when the member is due to make a payment for the membership which could result in a loss of income for the Council.</i>	year use and dates each month payment is due. This will record if a payment has been received or the reason why not.	
	<p>There is no process in place to check that members are still active on the system before they utilise the facilities.</p> <p><b><u>Risk</u></b> <i>By not ensuring that a member is active on the system before utilising the facilities the Council could be allowing inactive members to use the facilities, therefore losing income.</i></p>	Member list to only include active members. Staff to confirm paid member on arrival. Follow through if payment required.	<p>Chris Beckett, <i>Centre Manager</i></p> <p>In place.</p>
	<p>There is an unclear audit trail in place to show that members have paid for their membership as no payment details are recorded on the system. Therefore, it is unclear if the amount that should be due to active members has been received by the Council.</p> <p><i>(Analysis of this could not be carried out as active members for a period of time could not be produced from the system therefore it could not be cross referenced to the total amount of income shown on the Integra code)</i></p> <p><b><u>Risk</u></b> <i>Without having a clear audit trail in place, the Council is unable to ensure that all income due is being received for memberships. Therefore, shortfalls in income could be occurring without being identified.</i></p>	Changes to the way members are recorded on the system will allow access to dates that have been paid for. This has been picked up at the meeting with IT and a discussion will be held with EZ system to consider arrangements to track payments.	<p>Chris Beckett, <i>Centre Manager / IT</i></p> <p>20/12/20 For recording member details.</p>

<b>Audit Title 2</b>	<b>Car Park PCNs</b>		
<b>Year of review</b>	2020/21		
<b>Assurance given</b>	<i><b>Substantial</b> – Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.</i>		
<b>Overview of area</b>	<p>The Parking Management Service is a team that consists of the Parking Manager, 7 Civil Enforcement Officers (CEOs) and 2 Parking Support Workers (PSOs). The CEO's patrol the Borough checking whether any cars have breached regulations. If this happens, parking charge notices (PCNs) are issued. The PSOs are the back-office support, who deal with all challenges, appeals, cancellations and payments.</p> <p>It was advised that the service can see up to 13,000 penalties being issued each financial year, with there being 2843 on the Imperial Solutions System between March – September 2020.</p> <p>The service work alongside the Traffic Management Act 2004, which provides details on each part of the job ranging from what CEOs have to wear on patrols and how employees should be trained to what contraventions can be used and how penalties can be challenged. This is national legislation that all Local Authorities must adhere to, plus each Local Authority have their own internal policies.</p>		
	<b>Key findings</b>	<b>Management response and agreed action</b>	<b>Action by who and when</b>
	<p>There are people involved in the Parking Management service who have not received appropriate training prior to being given higher access levels, allowing them to carry out work rather than 'read only'.</p> <p>At the time of audit this was applicable to the 2 Parking Support Officers, new Senior Management and going forward, members of the CSU.</p>	<p>The 3 PSO's are currently undertaking formal Level 3 training week commencing 4 January 2021.</p> <p>The Senior Street Scenes Officer who is supporting the CEO's receives on the job training from a PSO and Parking Manager. This is mainly linked to conducting</p>	<p>Kirsty Hosey, Parking Manager</p> <p>Jan 2021</p> <p>Kirsty Hosey, Parking Manager</p>

	<p><b>Risk</b>  <i>Staff being given the opportunity to work on penalties without receiving appropriate training may result in them being processed incorrectly. This could result in a financial loss.</i></p> <p><i>Failure to adhere to what is listed as being best practice required by Parking Management staff in National Legislation.</i></p>	<p>performance monitoring on CEO's using the Geo Smarti tracking. His specific parking tasks are yet to be formally agreed, but I do not envisage the officer being involved in the PCN process and therefore training on how to progress and cancel PCN's will not be provided. However, there is an acknowledgement that access levels to enable this function will be accessible to the officer.</p> <p>Work that is being transferred to the CSU will be subject to instructions from a decision tree, designed by the Parking Manager, which will lead them to an outcome. All cancellations conducted by the CSU will be subject to daily monitoring to ensure the process and correct decisions have been reached. Areas for concern will be immediately raised to the Service Manager and team leader for addressing and correction. This will ensure the council's integrity and consistency within its enforcement practices in accordance with legislation.</p>	<p>Training of SSSO completed by April 2021</p> <p>Kirsty Hosey, Parking Manager and Marybeth Quaintmere, Service Manager – Customer Services+</p> <p>From Jan 2021 as work moves to CSU</p>
	<p>The Rushmoor Borough Council policy guidance for Parking Enforcement is out of date and does not reflect current practices.</p> <p><b>Risk</b>  <i>This could lead to a financial risk for the Council, should penalty charges have to be cancelled due to policies being out of date.</i></p>	<p>This is known and due to the current lack of resource within the parking back office, it remains an outstanding task for the Parking Manager to update.</p>	<p>Kirsty Hosey, Parking Manager</p> <p>June 2021</p>
	<p>There are no written documented procedures within the team to outline the Parking Support Officers general daily tasks, including the Imperial System.</p> <p><b>Risk</b></p>	<p>This is known and due to the current lack of resource within the parking back office, no formal general procedures notes have been compiled. This was a task for the Parking Operations Manager but was not completed before she left.</p>	<p>Kirsty Hosey, Parking Manager</p> <p>June 2021</p>

	<p>a) <i>Operations and service delivery could be disrupted with the absence of documented procedures setting out fundamental daily activities in the back office.</i></p> <p>b) <i>Without having documented procedures any new starters would not have the required information to conduct their role. (This may also lighten the workload with regards to training new starters).</i></p>	<p>However each PSO have their own personal notes that enables them to carry out these functions and these would be used to assist the training for new staff, but recognising they are bespoke to the individual user. The task will be completed when resources become available.</p>	
	<p>The monthly housekeeping task that was completed by Management was used for having oversight of all penalties on the Imperial system. It was used to ensure they were all progressing as they should, has not been completed since July 2019.</p> <p>It is believed that this could provide invaluable oversight and assurance of the penalties on the Imperial system and performance management of service members going forward.</p> <p><b>Risk</b> <i>There is the opportunity that without full oversight of penalties and the system by a trained and experienced employee, that penalties could get missed and cancellations be processed incorrectly.</i></p> <p><i>There is also no oversight of performance for the CEOs or PSOs.</i></p>	<p>This is a known but due to the current lack of resource we do not have an officer to oversee the administration of Imperial and to conduct regular 1:1's / performance monitoring of the team.</p> <p>We have commenced some training for the Senior Street Scene officer to conduct performance management of the CEO's both on street performance and analysing data. He also requires training on what the expectation of a CEO is before he can performance manage them.</p> <p>Nothing formal is in place for the PSO's in terms of performance managing due to the resource implications, other than issues that escalate to the Parking Manager. In these circumstances, the Parking Manager overviews the case file on an adhoc basis, or overviews the Adjudication case summary that is produced before it's submitted to TPT. This is where PSO and CEO performance is identified.</p>	<p>RA</p> <p>Use Imperial for performance management of CEOs by Mar 2021</p> <p>Kirsty Hosey, Parking Manager</p> <p>Use Imperial for performance management of PSOs by June 2021</p>
	<p>In 2019/20 there were 55 penalties cancelled due to them exceeding the 14-day deadline. 32 of these related to penalties issued on behalf of Hampshire County Council. These totalled £1,368.00.</p> <p><b>Risk</b> <i>This could incur financial losses and a risk of reputational damage.</i></p>	<p>This is known and remains a risk. Resourcing within the team needs to addressed to mitigate against this risk.</p>	<p>David Phillips, Service Manager – Commercial Services</p> <p>June 2021</p>

	<p><i>There is also a risk that Hampshire County Council may end the agency agreement with Rushmoor Borough Council if they were aware that penalties were being cancelled due to them not being worked in time.</i></p> <p><i>This could potentially lead to Rushmoor Borough Council loosing delegated authority.</i></p>		
	<p>There is a gap in controls with regards the automated telephone system. This allows people to make partial payments rather than the whole amount, which is explained in the Policy Guidance for Parking Enforcement and the penalties.</p> <p><b>Risk</b> <i>Allowing partial payments could incur financial losses for the Council.</i></p> <p><i>The current process is that there are reports run by the PSO's to check for any partial payments. Having better controls in place would prevent them from having to do this task.</i></p>	<p>This is known. We receive few payments via this method and we could switch off this payment channel which would mitigate against this risk and immediately reduce work for the PSO's.</p>	<p>David Phillips, Service Manager – Commercial Services</p> <p>Feb 2021</p>



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LICENSING, AUDIT & GENERAL  
PURPOSES COMMITTEE  
25 JANUARY 2021

EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2102

## STATEMENT OF ACCOUNTS 2019/20 – UPDATE 1

### SUMMARY:

The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the meeting on 23 November 2020. The Committee is reminded that the deadline for issuing a final set of audit statements of accounts and audit opinion of 30 November 2020 was not met.

### RECOMMENDATIONS:

It is recommended that the committee

- i) Note the Statement of Accounts Update Report
- ii) Note the process and timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit opinion

## 1 INTRODUCTION

- 1.1 Owing to the impact of Covid-19 deadlines for the completion and publication of the 2019/20 accounts have been relaxed recognising the possible disruption to relevant authorities caused by the spread of coronavirus
- 1.2 The table below sets out the changes made to the deadlines, as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which came into force on 30 April 2020.

Action	Deadline as set out in Accounts and Audit Regulations 2015	Revised Deadline as set out in Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
Draft Accounts completion	31 May	31 August
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of September of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November

- 1.3 The Council published a draft statement of account 2019/20 on 31 August 2020. These are available on the Council's website:  
<https://www.rushmoor.gov.uk/statementofaccounts>
- 1.4 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 30 November 2020.
- 1.5 As reported to the committee at the meeting in November 2020 the Council's external auditor opinion was not due to be received until after the statutory deadline with a commitment to work towards an opinion being available for the January 2021 meeting.
- 1.6 In terms of context, it is worth noting that there were 265 public bodies (Councils, Fire and Rescue, Police and other LG bodies) that did not receive an auditor opinion by 30 November 2020 (around 55%) – as compared to 210 out of 486 (43%) for 2018/19.
- 1.7 This report provides members with an update on progress made since November 2020.

## **2 CURRENT STATUS OF THE AUDIT**

- 2.1 Members will be aware from the meeting in November 2020 that the Council's external auditors set out in the Audit Plan an outline of the timetable and work required to complete their audit and issue an Audit Results Report.
- 2.2 Officers and EY have worked through a number of audit issues since November with a number of audit areas completed. However, there remains a number of outstanding queries in relation to asset valuations which need to be resolved before an opinion can be given. It is likely that the Council will need to respond to EY on any valuation differences and whether these give rise to an adjustment to the financial statements.
- 2.3 The Council will also have to provide EY with an updated impact on the Council's finances from Covid-19 and any Post Balance Sheet Event (PBSE) given the ongoing risk Covid-19 poses to the Council's financial standing. In order to complete the accounts and audit opinion process, the Statement of Accounts would need to include a detailed Disclosure Note that addresses Going Concern.
- 2.4 A Disclosure Note will be drafted with an updated forward projection of the Council's Reserves and Balances and a projection of the Council's cashflow and liquidity for the next 12-18 months, and a forward projection of reserve deployment over the MTFs period.

- 2.5 At a meeting with EY on 14 January 2021, it was agreed that the current audit work would be paused until mid-February. This would allow the finance team to complete work on the 2021/22 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of LA&GP in March 2021.
- 2.6 Therefore, it is anticipated that the audited Statement of Accounts and the Audit Results Report will be considered by the committee at their meeting on 29 March 2021.

### **3 CONCLUSION**

- 3.1 Subject to the final review of the financial statements and EY's review process, the Council should receive the Audit Opinion in early March 2021.
- 3.2 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.

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**LICENSING AUDIT & GENERAL PURPOSES  
COMMITTEE  
25 JANUARY 2021**

**EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2033**

**TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT  
OPERATIONS 2020/21**

**SUMMARY:**

This report sets out the main activities of the Treasury Management and non-Treasury Investment Operations during the first half of 2020/21. Prudential indicators for the 2020/21 financial year have been updated for all treasury management and non-treasury activity during the first half of 2020/21.

**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 2020/21.

**1. INTRODUCTION**

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operations for the first half of the year 2020/21. 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 20 February 2020. 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 appendices (A to C) set out the Treasury Management operations, Non-Treasury Investment Operations and Prudential Indicators for 2020/21 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 2020/21, 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 2020/21 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 2020/21, 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 2020/21, in accordance with MHCLG Investment Guidance.

#### **Appendix C**

- the **Prudential indicators forecast** sets out the forecast prudential indicators position at the end of 2020/21 based on 2020/21 half year position relating to treasury/non-treasury activities and capital financing for 2020/21. Performance is compared to the indicators set out in the Annual Capital Strategy for the year 2020/21.

### **3 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2020/21**

- 3.1 The Council's treasury team continued to concentrate on the security of investments taking due regard for the returns available.
- 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 2020/21 financial year short-term interest rates have decreased and are forecast to remain low. However, borrowing levels have increased, raising refinancing risk. All treasury management decisions are taken with due regard to refinancing risk.
- 3.3 Total borrowing at 30 September 2020 is £87.0m, a decrease of £3.0m from 2019/20 year-end position. Year-end borrowing is forecast to be £116.7m below estimated levels due to timing of investment property purchases. The

lower level of borrowing and lower interest rates has resulted in forecast interest cost of borrowing reducing by £0.5m.

- 3.4 The Council is forecast to have non-treasury investments risk exposure of £132.2 of which £91.6 is funded via external loans.
- 3.5 Return of non-treasury investments is forecast to be below estimated return for 2020/21 due to the deferral of interest on Farnborough International Loan until 2026.

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## APPENDIX A

### TREASURY MANAGEMENT OPERATION FOR FIRST HALF OF 2020/21

#### **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 2020/21. 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 2020/21, 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 2020/21. This commentary is provided at **Appendix D**.

### 4 LOCAL CONTEXT

- 4.1 On 30 September 2020, the Council had net borrowing of £57.8m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes for the 2020/21 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 2020 and the change during the year is shown in Table 1 below.

Table 1: Treasury Management Summary

	<b>31.03.20 Balance £m</b>	<b>Movement £m</b>	<b>30.09.20 Balance £m</b>	<b>30.09.20 Rate %</b>
Long-term borrowing	30.0	25.0	55.0	0.09
Short-term borrowing	60.0	-28.0	32.0	0.08
<b>Total borrowing</b>	<b>90.0</b>	<b>-3.0</b>	<b>87.0</b>	
Long-term investments	-21.9	0	-21.9	4.84
Short-term investments	0	0	0	0.00
Cash and cash equivalents	-5.3	-2.0	-7.3	0.13
<b>Total investments</b>	<b>-27.2</b>	<b>-2.0</b>	<b>-29.2</b>	
<b>Net borrowing/(investments)</b>	<b>62.8</b>	<b>-5.0</b>	<b>57.8</b>	

- 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 £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	<b>20120/21 Estimate £m</b>	<b>2020/21 Forecast £m</b>
Outstanding borrowing	154.1	125.7
Investment min	-10.0	-10.0
Investments held that can be redeemed	-22.9	-29.2
Liability benchmark	141.2	106.5

## 5 BORROWING ACTIVITY IN 2020/21

- 5.1 At 30 September 2020 the Council held £87.0m of loans, an decrease of £3.0m since 31 March 2020, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 September 2020 are summarised in Table 3 below.

Table 3: Borrowing Position

	<b>31.03.20 Balance £m</b>	<b>Movement £m</b>	<b>30.09.20 Balance £m</b>	<b>30.09.20 Rate %</b>
<b>Total External Borrowing</b>				
Long-term investments	30.0	25.0	55.0	0.09
Short-term investments	60.0	-28.0	32.0	0.08
<b>Total Gross External Debt</b>	<b>90.0</b>	<b>-3.0</b>	<b>87.0</b>	

- 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 Short-term interest rates remaining much lower than long-term rates, with the Bank of England cutting interest rates to 0.1% on 19<sup>th</sup> March 2020. The

Council considered it to be more cost effective in the near term to use short-term loans.

## 6 INVESTMENT ACTIVITY IN 2020/21

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

	<b>31.03.20 Balance £m</b>	<b>Movement £m</b>	<b>30.09.20 Balance £m</b>	<b>30.09.20 Rate %</b>	
<b>Managed in-house:</b>					
Money Market Funds	5.3	2.0	7.3	0.13	*
Managed externally:					
<b>Pooled Funds:</b>					
CCLA LAMIT Property Fund	3.9	0	3.9	6.41	*
M&G Investments Strategic Corporate Bond Fund	4	0	4	1.8	*
UBS Multi Asset Fund	5	0	5	4.71	*
Kamas	2	0	2	4.63	*
Threadneedle Investments	2	0	2	3.53	*
Schroder Income Maximiser Fund	5	0	5	6.78	*
<b>Total Investments</b>	<b>27.2</b>	<b>2.0</b>	<b>29.2</b>		

\*Annualised return based on income received between April 2020 to September 2020

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

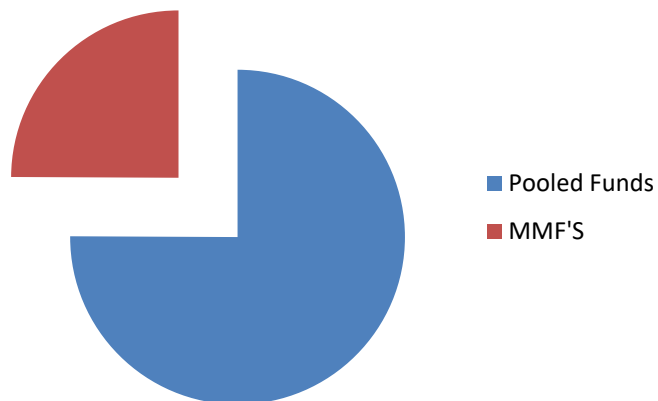


Figure 2: Maturity analysis



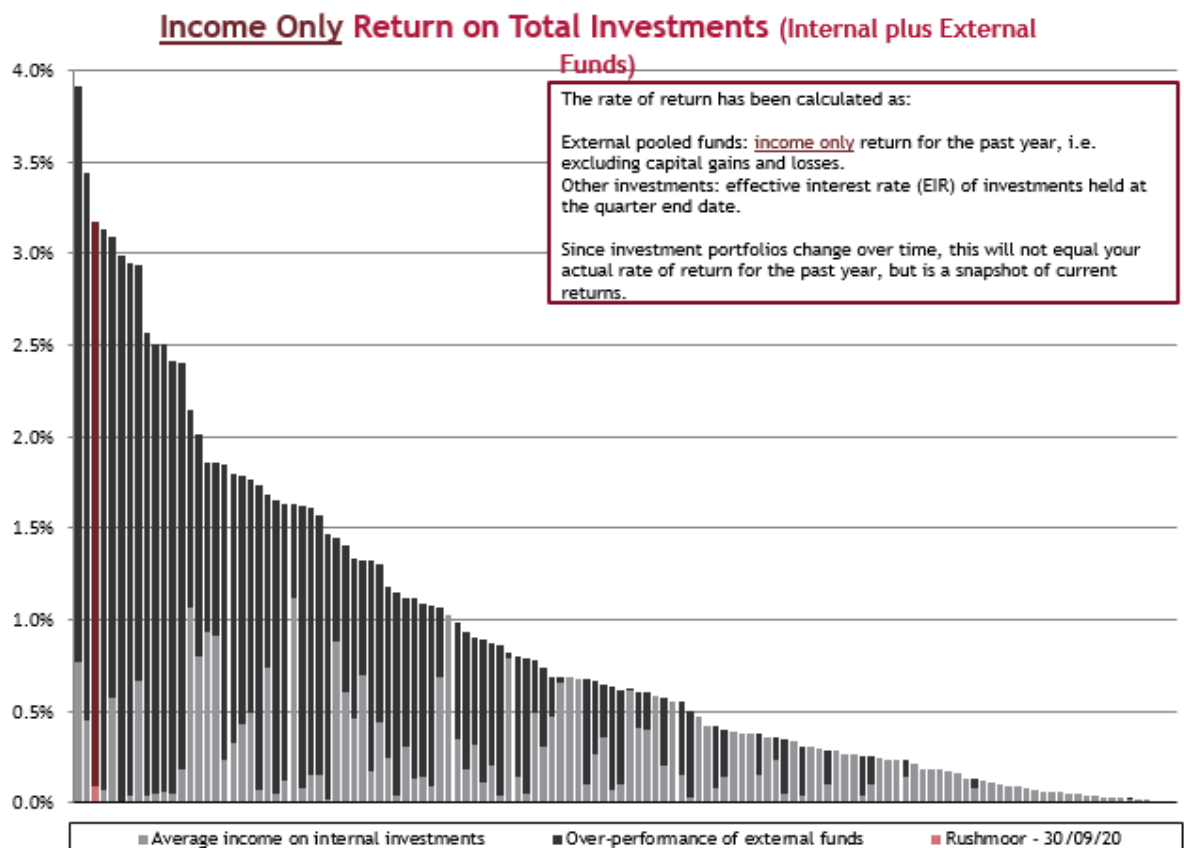
Table 5: Maturity analysis

<b>Maturity Analysis for ALL INVESTMENTS</b>	<b>Type of Counter Party</b>	<b>Amount invested £</b>	<b>% of total investments</b>
Instant	MMF	7,271,000	25%
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	75%
<b>Total for all duration periods</b>		<b>29,171,000</b>	<b>100</b>

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 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 2020 was 3.17%.

Figure 3: Total income return on investment portfolio



6.5 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

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>
31.03.2020	3.85	AA-	100%
30.09.2020	4.50	A+	100%
<b>Similar LAs</b>	<b>4.15</b>	<b>AA-</b>	<b>65%</b>
<b>All LAs</b>			

External Strategic Pooled Funds

6.6 £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. The pooled fund portfolio has generated an average total return during the first half of 2020/21 of 4.84%. Capital returns have decreased by 10.25%. A summary of returns and diversification is set out below.

Figure 4: Pooled fund diversification

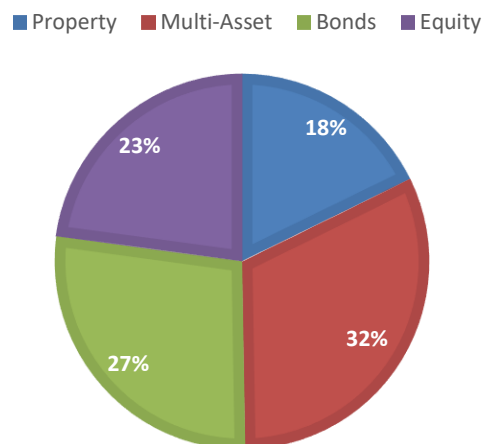


Table 7: Pooled fund diversification

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%
<b>Total</b>	<b>21,882,128</b>	<b>100%</b>

Figure 5: Total returns year-on-year comparison

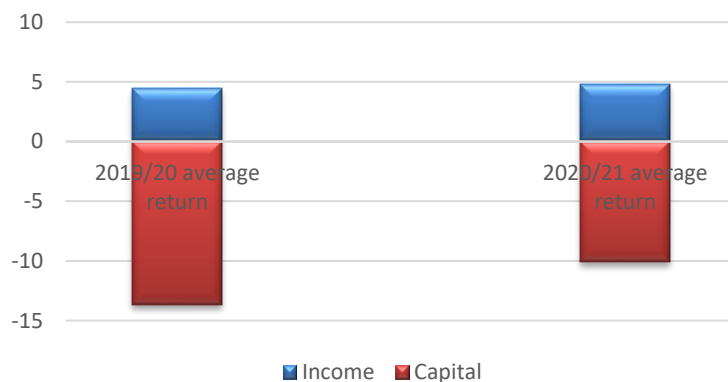


Table 8: Total return breakdown

Type of return	2019/20 average return %	2020/21 average return %
Income	4.46	4.84
Capital	-13.72	-10.25
<b>Total Returns</b>	<b>-9.26</b>	<b>-5.41</b>

6.7 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

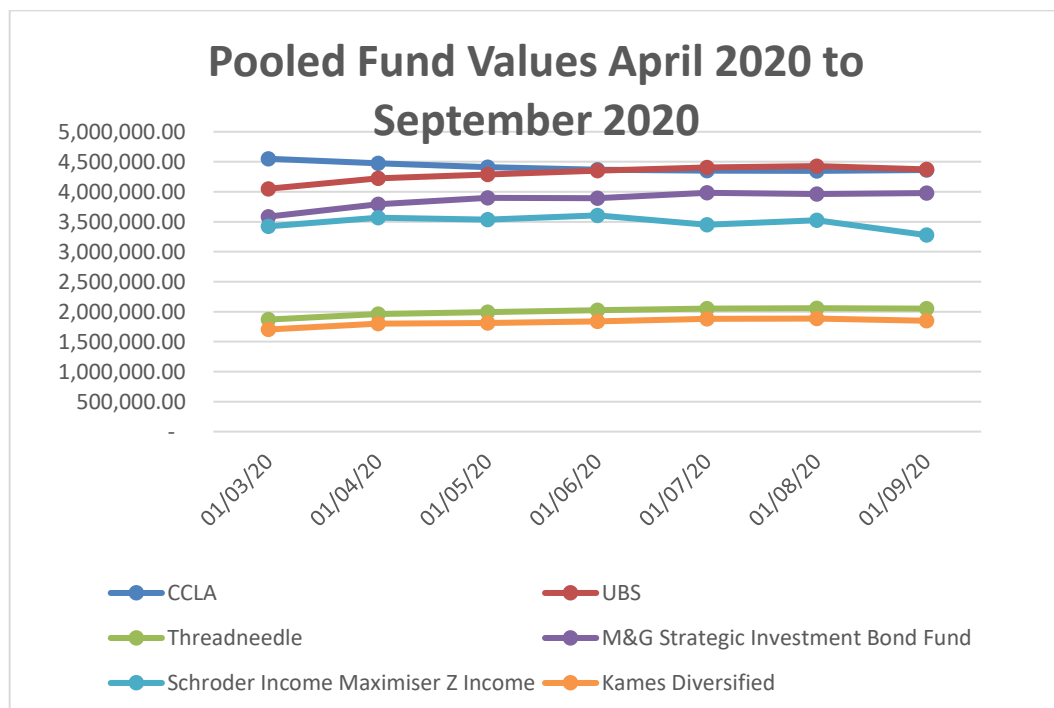
and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium-/long-term and the Council's latest cash flow forecasts, investment in these funds has been increased.

6.8 Details of the Council's investment activity together with returns generated during 2020/21 are outlined as follows:

6.9 **Capital returns** – the Council's pooled fund portfolio has recovered well during the 2020/21 year, as the country came out of the first COVID-19 lockdown. Aggregation of the Council's pooled funds resulted in an overall net increase in fair value for the year 2020/21 of around £711,000 (an aggregate increase of 3.71% of overall pooled funds invested).

6.10 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





6.11 **Income Returns**\_– The income returned by fund for the period to 30 September 2020 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 6.41% annualised income during 2020/21.
- 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 4.71% annualised income during 2020/21.
- 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 3.53% annualised income during 2020/21
- 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 1.80% annualised income during 20120/221.
- 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 6.78% annualised during 2020/21.
- 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 4.63% annualised during 2020/21.

## 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.

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

Table 9: Investment Limits

	<b>30.9.20 Actual £m</b>	<b>2020/21 Limit £m</b>	<b>Complied?</b>
Any group of pooled funds under the same management	<b>21.9</b>	<b>25.0</b>	Yes
Money Market Funds	<b>7.3</b>	<b>25.0</b>	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.

	<b>30.9.20 Actual</b>	<b>2020/21 Target</b>	<b>Complied?</b>
Portfolio average credit rating	AA-	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.

	<b>30.9.20 Actual £m</b>	<b>2020/21 Target £m</b>	<b>Complied?</b>
Total sum borrowed in past 3 months without prior notice	0	1.0	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:

	<b>30.9.20 Actual</b>	<b>2020/21 Limit</b>	<b>Complied?</b>
Upper limit on one-year impact of a 1% <b>rise</b> in interest rates.	£439,000	£500,000	YES
Upper limit on one-year impact of a 1% <b>fall</b> in interest rates.	£330,000	£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:

	<b>30.9.20 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	100%	100%	0%	YES
12 months and within 24 months	0%	100%	0%	YES
24 months and within 5 years	0%	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:

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Actual principal invested beyond year end	£21.9m	£21.9m	£21.9m
Limit on principal invested beyond year end	£90.0m	£90.0m	£90.0m
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 2020/201 is shown in the table below.

<b>Budgeted income and outturn</b>	<b>2020/21 Estimate £000</b>	<b>2020/21 Forecast £000</b>	<b>Variance £000</b>
Interest receivable	(1,600)	(900)	700
Interest Payable	1,370	868	(502)
<b>Net Amount</b>	<b>(230)</b>	<b>(32)</b>	<b>198</b>

## APPENDIX B

### NON-TREASURY INVESTMENT OPERATIONS FOR FIRST HALF OF 2020/21

#### 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 £113.9m of such investments at as 30 September 2020 in:
- directly owned property £107m
  - 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Proportion	14.3%	14.7%

### 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 As reported in the Revenue Budget Monitoring Report for Q2 (FIN2031) the Council and the other funding consortium funding partners agreed to defer interest payments to provide cashflow support to Farnborough International Limited (FIL) following the cancellation of the 2020 Airshow.
- 3.3 The primary creditor (Barclays) has proposed to capitalise interest in-line with the Intercreditor Agreement. Unless a compromise can be reached the Council would not receive deferred interest until 2026.
- 3.4 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	2020/21	20/21	20/21
	Approved Limit	Actual	Forecast
Local businesses	6.7	6.7	6.7
Employees	0.1	0.1	0.1
Subsidies and Partnership	3.5	0	0.6
<b>TOTAL</b>	<b>10.3</b>	<b>6.8</b>	<b>7.4</b>

- 3.5 As the interest on FIL loan has been deferred no interest has been received by the Council during the first 6 months of 2020/21 financial year.

### 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	2020/21	2020/21
	Approved Limit	Forecast
Subsidiaries and Partnerships	0.5	0.4
<b>TOTAL</b>	<b>0.5</b>	<b>0.4</b>

## 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	2019/20 Transactions			2020/21 estimated transactions	
	Purchase cost	Gains or (losses)	Value in accounts	Purchase cost	Estimated year-end Value
Mixed use	4.5	0.0	4.5	0.0	4.5
Industrial units	24.2	0.1	24.3	0.0	24.3
Retail	34.3	-5.0	29.3	15.7	45.0
Offices	51.0	-2.5	48.5	2.1	50.6
<b>TOTAL</b>	<b>114.0</b>	<b>-7.4</b>	<b>106.6</b>	<b>17.8</b>	<b>124.4</b>

### Return on Commercial investment

- 5.2 Commercial property investments generated £4.03m 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 2.74%.

- 5.3 The return on commercial property is forecast to be higher than the reported level in the non-treasury investment strategy to Council on 20 February 2020. This is due to lower cost of borrowing.

## 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	2020/21 Estimate	2020/21 Forecast
Service investments: Loans	10.3	7.4
Service investments: Shares	0.5	0.4
Commercial investments: Property	125.8	124.4
TOTAL INVESTMENTS	136.6	132.2
Commitments to lend	0	0
TOTAL EXPOSURE	136.6	132.2

- 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Service investments: Loans	4.4	2.9
Service investments: Shares	0.5	0.4
Commercial investments: Property	87.2	88.2
<b>TOTAL FUNDED BY BORROWING</b>	<b>92.1</b>	<b>91.6</b>

- 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)

	<b>20120/21 Estimate</b>	<b>2020/21 Forecast</b>
Treasury management investments	4.9%	3.1%
Service investments: Loans	3.87%	0.5%
Service investments: Shares	0%	0%
Commercial investments: Property *	2.3%	2.7%
<b>ALL INVESTMENTS</b>	<b>2.7%</b>	<b>2.7%</b>

- 6.5 The above table shows a forecast reduction in Treasury management investments and Service Investment Loans net of all finance costs in 2020/21. This is due to the economic downturn as a result of COVID-19. Commercial Property shows a forecast improvement in return net of all finance costs in 2020/21. This is due to the reduced cost of borrowing as a result of lower bank of England interest rates.
- 6.6 The Council has considered the following additional indicators prudent to

report given the investment activities.

Table 8: Other investment indicators

<b>Indicator</b>	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Debt to net service expenditure ratio	13.7	9.9
Commercial income to net service expenditure ratio	0.8	0.7

## 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

	<b>2020/21 Estimate</b>	<b>2012021 Forecast</b>
General Fund services	55.4	33.2
<b>TOTAL</b>	<b>55.4</b>	<b>33.2</b>
External sources	8.0	6.0
Own resources	1.0	1.0
Debt	46.4	26.3
<b>TOTAL</b>	<b>55.4</b>	<b>33.2</b>

- 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Own resources	2.2	2.2

- 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
General Fund services	154.0	128.3
MRP	-2.2	-2.2
IFRIC 4 Lease Adjustment	2.3	-0.4
<b>TOTAL CFR</b>	<b>154.1</b>	<b>125.7</b>

- 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Debt (incl. leases)	154.1	125.7
Capital Financing Requirement	208.4	189.2
Difference	54.3	63.5

- 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

	<b>2020/21 limit</b>	<b>2020/21 Forecast</b>
Authorised limit – total external debt	169.1	140.7
Operational boundary – total external debt	164.1	135.7

- 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

	<b>2020/21 Estimate</b>	<b>2020/21 Forecast</b>
Financing costs (£m)	3.5	3.0
Proportion of net revenue stream	34%	29.1%

### Market commentary regarding the year 2020/21 from the Council's treasury management advisors Arlingclose

#### External Context

##### **Economic commentary**

The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.

GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a

modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.

### **Financial markets:**

Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities.

### **Credit background:**

Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.

After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned an AA- deposit rating to Netherlands lender Rabobank with a negative outlook and

prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31<sup>st</sup> December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

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LICENSING, AUDIT & GENERAL  
PURPOSES COMMITTEE  
25 JANUARY 2021

EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2103

## TREASURY MANAGEMENT STRATEGY 2021/22 - UPDATE

### **SUMMARY:**

The purpose of this report is to inform Members' of the changes will be made to the Council's Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy for 2021/22.

### **RECOMMENDATIONS:**

It is recommended that the committee note the update Report

## **1 INTRODUCTION**

- 1.1 The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2021/22 before 1 April 2021.
- 1.2 This report will be considered by Cabinet at their meeting in February 2021 with a recommendation to Council. Ordinarily, an early draft of the report would have been available to members of Licensing, Audit and General Purposes Committee given the role the committee has on Treasury Management activities. Regrettably, an early draft of the Strategy is not available for this meeting. This is largely due to ongoing work needed to finalise the capital programme for 2021/22 to 2024/25 and taking account of revised Public Works Loan Board: future lending terms, which feeds into the prudential indicators and wider Treasury Management Strategy consideration.
- 1.3 The committee is considering the 'half-year' report on Treasury Management activities (FIN2033) at this meeting. This reports updates members on Treasury Management performance in the first half of 2020/21 and outlines the prospects for the remainder of the financial year. This report will inform changes to the Treasury Management Strategy for 2021/22 given the current economic outlook, impact from Covid-19, and the Council's budget and medium-term financial forecasts.

## **2 UPDATING THE TREASURY MANAGEMENT STRATEGY**

- 2.1 The significant changes to the Treasury Management Strategy will be due to the revised PWLB Lending Terms.
- 2.2 The Government published their response to the Public Works Loan Board: future lending terms consultation that was open until 31 July 2020. The

response was published alongside the wider Spending Review announced on 25 November 2020.

- 2.3 The new lending terms take effect for all PWLB loans from 26 November 2020. The lending terms are more restrictive and will require the Council to review its capital expenditure and financing plans. However, the Government will, as a result of the reforms, lower the interest rate of PWLB lending by 100bps (1.00%) for all new loans arranged from 26 November 2020 that were announced by the Government in the Spending Review on 25 November 2020.
- 2.4 The new lending terms reflect the Government's view that local authorities should not undertake capital expenditure on investments assets that will be held primarily for yield. The lending terms sets out four broad areas of activity that are supported:
- **Service Spending** is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services
  - **Housing** is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from 'service spending' because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects
  - **Regeneration Projects** addressing economic or social market failure; generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value
  - **Preventative Action** where intervention prevents a negative outcome such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease
- 2.5 As a result of these changes, the Capital Strategy, Capital Programme and the Treasury Management Strategy and Annual Non-Treasury Investment Strategy will be amended to explicitly remove any capital expenditure activity that is not compliant with the new lending terms.
- 2.6 The Strategy will also be updated to reflect updated forecasts for Investment Income (from Pooled Funds in particular), borrowing requirement and other prudential indicators.
- 2.7 The Strategy will also need to consider the Borrowing Strategy in light of interest rate forecasts and the changes to the PWLB Lending Terms.
- 2.8 The Treasury Management Strategy will be considered by Cabinet and Council at their meetings in February 2021. However, it is likely that the Strategy will require significant updates during the forthcoming financial year given the decision(s) that are likely to come forward on the Union Street and Civic Quarter Regeneration schemes. These schemes, given their scale and complexity, will

not be included in the Capital Programme and will be brought forward to Cabinet and Council in due course upon completion of the due diligence work.

- 2.9 Any updates to the Strategy will be brought to future meetings of this committee for consideration.

### **3 CONCLUSION**

- 3.1 Members of the committee should consider the Treasury Management and Non-Treasury Investment Operations 2020/21 (FIN2033) and note the anticipated updates that will be included in the Strategy to be considered by Cabinet and Council in February 2021.

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