

LICENSING AND GENERAL PURPOSES COMMITTEE

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

Voting Members

Cllr A. Jackman (Chairman)

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

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

42. **MINUTES**

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

43. **EXTERNAL AUDITOR - AUDIT PLAN - UPDATE**

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

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

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

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

RESOLVED: That the External Audit Progress Report be noted.

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

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

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

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

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

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

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

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

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

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

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

46. **REVIEW OF GOVERNANCE STRUCTURE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Committee

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

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

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

The meeting closed at 8.05 pm.

CLLR A. JACKMAN (CHAIRMAN)
