

COUNCIL MEETING – 22ND APRIL 2021

AGENDA ITEM 4 (3)

FUTURE ARRANGEMENTS FOR THE LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

A report from the meeting of the Licensing, Audit and General Purposes Committee held on 29th March 2021.

1. INTRODUCTION

- 1.1 The Licensing, Audit and General Purposes Committee has a key role in the corporate governance of the Council, with an important responsibility to act as a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance.
- 1.2 The local government landscape is becoming ever more challenging, and there is an increasingly complex picture for financial and governance arrangements linked to the delivery of major projects at the Council. It is therefore timely to review arrangements to ensure that the Committee's primary focus and emphasis is directed to meeting these demands.

2. BACKGROUND

- 2.1 In recent years the Council, along with many other authorities within the sector, has been diversifying its range of activities to both mitigate the risk of financial restructuring as a result of Central Government funding changes, and to facilitate the Council to take a much stronger role in place shaping and to influence the regeneration of the area.
- 2.2 In order to deliver against this more diversified agenda the Council has sought to establish key delivery vehicles such as the Rushmoor Development Partnership (RDP) to pursue regeneration and Rushmoor Homes Ltd (RHL) to deliver local housing solutions. The Council has also sought to become more commercially focussed in seeking out income generating sources and has considered a wide range of commercial income investment opportunities. All of these areas of activity require good governance, careful oversight and risk management, supported with transparent arrangements to provide the public oversight, protection and confidence necessary. High quality Elected Member oversight is a pivotal lynchpin to providing that public confidence.

- 2.3 The volatile and risky landscape that local government is working within has been highlighted in recent years by some high-profile local authority failures. These failures have seen an entire financial failure in the case of one local authority, instances of failed housing companies, inadvertent losses resulting from joint-ventures or failed investments or through the failure of local authority trading companies such as local authority run energy companies. The publicly available reports published in respect of these examples often highlight unique circumstances. However, a number of common lessons do emerge. The recommendations in this report build on those published lessons learnt especially in respect of the role of corporate governance, use of expertise and independence and approach to risk management and transparent decision making.
- 2.4 In seeking to prepare this report, the Council's Monitoring Officer has discussed the background and context for the proposals with The Leader and Deputy Leader of the Council, the Leader of the main Opposition Group, the Chair and Vice Chair of Licensing, Audit and General Purposes Committee as well as the Council's Chief Executive and other key internal officers via the Council's internal Governance Group. All consulted to date are supportive of the changes proposed within this report.

3. **PROPOSALS**

- 3.1 Further to the context described above, it is proposed to implement the following arrangements for the Licensing, Audit and General Purposes Committee to help ensure and support the Committee's effectiveness in the future.

Change of Committee Name

- 3.2 It is proposed that the Committee's name be changed to 'Corporate Governance, Audit and Standards Committee' as a more accurate reflection of the committee's work and focus. It is proposed that this takes effect from the first meeting of the municipal year in May 2021.

Terms of Reference and Statement of Purpose

- 3.3 The Committee's terms of reference, which were reviewed as part of the Constitution Review in 2019/20, incorporate the corporate governance, risk management, audit, and financial reporting responsibilities of the Committee and do not need to be updated at this time. However, it is proposed to add a new Statement of Purpose as an introduction to the Committee's terms of reference to bring greater focus to the committee's corporate governance and audit role. A copy of the Statement of Purpose and the Committee's terms of reference is attached at **Appendix 1**.

Membership

- 3.4 The Membership of the Committee shall continue as 11 Members (non-executive and politically balanced), and with a new provision to appoint up to three additional non-voting co-opted Independent Members.

The Independent Member(s) would be invited to join meetings for discussion on all corporate governance and audit matters.

Independent Members

- 3.5 Good practice shows that for committees with audit responsibilities, the co-option of independent members with technical knowledge and expertise can be beneficial, as the injection of an external and independent view can help the process of in-depth questioning and committee discussion. A copy of the Person Specification for Independent Members is attached in **Appendix 3**.
- 3.6 While provisions are proposed to allow for up to three Independent Members, it is likely that one co-opted independent member will be appointed in 2021/22.
- 3.7 Subject to the Committee's approval, a public advertisement to recruit Independent Members will be published during April 2021. Following this, the Chairman and Vice-Chairman of the Committee (or nominated substitutes) will be invited to participate in an interview process to recommend an appointment for confirmation at the Annual Council Meeting in May 2021.
- 3.8 It is suggested that the following terms will apply to the appointment of Independent Member(s):
- A fixed term of three years, with provision for early termination or extension of the appointment.
 - The Independent Member will be eligible to be paid an allowance equal to the statutory co-optee allowance (currently £514 per year).
 - The Independent Member will be expected to follow the same code of conduct as elected Members and with a register of interests.

4. ROLE DESCRIPTIONS

- 4.1 To assist the process of appointments to the Committee for 2021/22, new role descriptions have been prepared for the Chairman and Members of the Committee as set out in **Appendix 2**. The role descriptions reference the apolitical and independent nature of the committee and a requirement for committee members to have an interest in corporate governance matters. It also emphasises a commitment to participate in training events to ensure knowledge and understanding of the committee's key areas of responsibility.

4.2 It is proposed that the updated role descriptions are incorporated in Part 3 of the Council's Constitution – Section 10 (Councillor Role Descriptions).

5. **TRAINING PROGRAMME**

5.1 During 2021/22, it is proposed to deliver an enhanced programme of learning and development support for Members on the Committee based on the training modules set out in **Appendix 4**.

5.2 The programme will include a mix of internal and externally delivered training sessions covering the key topics which will include corporate governance, risk management, financial management, and audit. Members who wish to participate in licensing hearings will also need to ensure they have attended training to fulfil this role.

5.3 At its meeting on 29th March, the Committee considered that further to the revised role description and enhanced training programme, an Independent Remuneration Panel should be asked to consider a Special Responsibility Allowance for Committee Members to reflect the additional roles and responsibilities.

6. **MONITORING AND REVIEW**

6.1 It is proposed to review the new arrangements in a year when the Committee will have had some experience of the changes. In these circumstances, it is not at this stage intended to recommend that the Standing Orders for the Regulation of Business are changed but to seek the Council to suspend Standing Orders at the Annual Council Meeting so that the new arrangements can be introduced for 2021/22. Once the review has taken place, the proposed changes to Standing Orders can be formalised in the early part of 2022.

7. **CONCLUSIONS AND RECOMMENDATION**

7.1 Changes are proposed to ensure the future effectiveness of the Committee, with a strong focus on its corporate governance role providing oversight, protection and public confidence in Council activities.

7.2 The Council is recommended to approve that

(1) the Committee's name be changed to 'Corporate Governance, Audit and Standards Committee' from the Annual Council Meeting in May 2021;

(2) updates be made to the Council's Constitution to incorporate a new Statement of Purpose to precede the Committee's terms of reference as set out in Appendix 1, and the updated Role Descriptions as set out in Appendices 2 and 3;

- (3) an Independent Remuneration Panel be asked to consider a Special Responsibility Allowance for Committee Members; and
- (4) at the Annual Council Meeting, Standing Orders for the Regulation of Business be suspended to enable the proposals set out in this Report to be implemented for 2021/22.

S.J. MASTERSON
CHAIRMAN OF LICENSING, AUDIT AND
GENERAL PURPOSES COMMITTEE

FUTURE ARRANGEMENTS FOR LAGP COMMITTEE

Proposed Change of Name:

Corporate Governance, Audit and Standards Committee

Terms of Reference

Membership

11 Elected Members appointed by the Council (excluding Members of the Cabinet) to reflect the political balance of the Council.

Up to 3 Independent, non-voting co-opted Members invited to attend meetings during discussion on all corporate governance and audit matters.

Statement of Purpose (new)

When carrying out Corporate Governance and Audit functions, the purpose of the Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

General Powers

1. To make appointments of council representatives to Outside Bodies or joint committees of two or more authorities (or to any committee or sub-committee of such a body) and the revocation of any such appointment to a body.
2. To consider and make recommendations to the full Council in relation to the following matters:
 - Amendments to the Council's Standing Orders
 - Conferring the title of honorary alderman or to admit an honorary freeman
 - The making, amendment, revocation or re-enactment of byelaws under any statutory provision
 - Matters related to the name and status of areas
 - Terms under which a Community Governance Review shall be carried out (Sections 81-82 Local Government and Public involvement in Health Act 2007)
 - The promotion, opposition to or amendment of local or personal Bills (Section 239 of the Local Government Act 1972)
 - Dividing the constituency into polling districts (Section 18, Representation of the People Act, 1983)
 - Dividing electoral divisions into polling districts at local government elections (Section 31 of the Representation of the People Act, 1983)

3. To exercise the Council's functions relating to local government pensions, etc (regulations under Section 7,12 or 24 of the Superannuation Act 1972).
4. Power to make an order identifying a place as a public place for the purposes of police powers to deal with street drinking (Criminal Justice and Police Act 2001).
5. To exercise the Council's powers in relation to the following elections and electoral registration functions:
 - Confirming the appointment of the person designated as the Council's electoral registration officer and returning officer for local government elections
 - To make proposals for pilot schemes for local elections

Governance Risk and Control

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

Internal Audit

15. To approve the internal audit charter.

16. To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
17. To approve significant changes to the risk-based internal audit plan and resource requirements.
18. To make appropriate enquiries of both management and the Executive Head of Finance to determine if there are any inappropriate scope or resource limitations, in respect of carrying out internal audit work.
19. To consider reports on internal audit's performance during the year including:
 - a. Key findings, issues of concern and action in hand as a result of internal audit work
 - b. Regular reports on the results of the Quality Assurance and Improvement Plan and any non-compliance with Public Sector Internal Audit Standards (PSIAS).
20. To consider annual internal audit reports, including;
 - a. The statement on the level of conformance with PSIAS
 - b. The Quality and Assurance Improvement Plan
 - c. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
21. To receive summaries of any specific internal reports as requested.
22. To receive reports outlining the action taken where the Executive Head of Finance has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
23. To provide internal audit unfettered access to the Committee Chairman, including the opportunity for a private meeting with the Committee.

External Audit

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

Financial Reporting

28. To approve the annual Statement of Accounts and consider whether appropriate accounting policies have been followed and whether any concerns arising from the financial statement or from the audit need to be brought to the attention of the Council.
29. To consider the external auditor's report to those charged with governance on any issues arising from the audit of the accounts.

Accountability arrangements

30. To undertake appropriate training in respect of its governance and audit role.
31. To carry out an annual self-assessment in relation to the effectiveness of the Committee in meeting its purpose.
32. Where considered appropriate, to report to Council on any issues concerning the effectiveness of the arrangements in place for governance, risk, and internal control frameworks.

Licensing Powers

33. Responsibility for the licensing functions of the Council:
 - Functions under the Licensing Act 2003 (see Section 4, Paragraph 4.3 for delegation arrangements)
 - Functions under the Gambling Act 2005 (see Section 4, Paragraph 4.4 for delegation arrangements)
 - Taxis, private hire and other vehicles (see Section 4, Paragraph 4.5 for delegation arrangements)
 - All other licensing and registration functions including for caravan sites, food premises registration, animal licensing, charities and street collection permits, street trading consents and scrap metal dealers (see Section 4, Paragraph 4.6 for delegation arrangements)
34. Responsibility for functions and powers relating to smoke free legislation and the Health Act 2006 (see Section 4, Paragraph 4.8 for delegation arrangements).
35. Responsibility for Health and Safety at work (see Section 4, Paragraph 4.7 for delegation arrangements).
36. Responsibility for the powers in sections 4, 8 and 9 of the Hampshire Act, 1983:-
 - s.4 (relating to the registration of hairdressers and barbers and premises occupied by them)
 - s.8 (relating to the control of stray dogs)
 - s.9 (relating to the seizure of horses).

Standards and Members' Code of Conduct Responsibilities

37. To promote and maintain high standards of conduct by councillors and co-opted members of the Council as set out in the Councillors Code of Conduct.
38. To advise the Council on the adoption or revision of the Members' Code of Conduct.
39. To monitor the operation of the Members' Code of Conduct.
40. To make and implement arrangements for dealing with complaints in accordance with the Localism Act, 2011 and any subsequent regulations and guidance.
41. To deal with matters relating to the appointment and activities of the Independent Person(s) within the provision of the Localism Act 2011 and any subsequent regulations and guidance.
42. To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the Code of Conduct.

Ombudsman

43. To keep under review Ombudsman investigations and consider their outcomes where appropriate.

ROLE DESCRIPTIONS

Corporate Governance, Audit and Standards Committee

(1) CHAIRMAN OF COMMITTEE

Responsible to: Council and Members of the Committee

Responsibilities:

- (1) To lead the committee in line with good governance principles.
- (2) To provide confident and effective chairing of meetings which encourages open discussion, full participation, and facilitates clear decision-making.
- (3) To ensure discussion and challenge at meetings is apolitical, objective, and focussed at an appropriate strategic level.
- (4) To develop the Committee's profile and internal influence within the Council.
- (5) To understand the respective roles of Members, officers and external parties operating within the committee's area of responsibility.
- (6) To ensure that s/he has knowledge and understanding of the committee's areas of responsibilities and with an interest in financial and risk management, audit, accounting concepts and standards and the regulatory regime.
- (7) To participate in the training and development programme required of Members of the Committee.
- (8) To ensure that the Committee's work is co-ordinated with other decision-making bodies and is in accordance with the policy framework.
- (9) Where set out in the Scheme of Delegation, to act as a consultee in decisions delegated by the Committee.
- (10) To be responsible for presenting the Committee's proposals and decisions to the Council and the community

Further Role requirements

- (11) To canvass views from Committee Members in advance of meetings with the External Auditor and to help represent views at the meeting.
- (12) To develop effective working relationship with Independent Members of the Committee and seek feedback from meeting participants.
- (13) The ability to challenge the Cabinet and senior managers when required.

ROLE DESCRIPTION

(2) COMMITTEE MEMBER

- (1) To ensure that s/he, has knowledge and understanding of the committee's key areas of responsibility, with an interest in:
 - corporate governance, financial and risk management, internal and external audit activities and the regulatory framework
 - standards and ethics
 - participation in licensing hearings
- (2) Commitment to attend and participate in the training and development programme required of Members of the Committee.
- (3) To understand the respective roles of Members, officers and external parties operating within the committee's area of responsibility.
- (4) To participate effectively, openly and candidly in committee meetings with an objective apolitical approach.
- (5) To be available for daytime licensing hearings as required.
- (6) Promote and maintain high standards of conduct for councillors and help councillors to follow the councillors code of conduct.
- (7) To promote and support good governance by the Council.

Key attributes and skills

- (8) Ability to weigh-up/sort complex evidence.
- (9) Ability to be objective, independent, and impartial.
- (10) Ability to challenge supportively.

ROLE DESCRIPTION – INDEPENDENT PERSON

Responsible to: The Section 151 Officer and Internal Audit Manager

Liaison with: Elected Members of the (Insert name of Committee), Section 151 Officer, (Internal) Audit Manager any other relevant Members and officers and the External Auditors of Rushmoor Borough Council.

Responsibilities

1. To engage fully in collective consideration of all corporate governance and audit matters before the Committee, taking into account a full range of relevant factors, including legislation and supporting regulation (e.g. the Accounts and Audit Regulations 2015), professional guidance (e.g. that issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) or the Chartered Institute of Internal Auditors (IIA)), and the advice of the Council's Section 151 Officer and Audit Manager.
2. To participate fully in the discharge of all audit functions, as set out in the Committee's terms of reference and the constitution.
3. To promote the concept of proportionate, effective risk management and internal control throughout the organisation; and to champion the work of Internal Audit, External Audit and Risk Management.
4. To participate in periodic review of the overall effectiveness of the committee with regards to audit matters, and of its terms of reference.

Audit Independent Person – Skills and Competencies

1. Demonstrates up-to-date knowledge, skill and a depth of experience in the fields of audit, accounting, risk management, corporate governance, and performance management.
2. Operates consistently and without bias.
3. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
4. Contributes proactive, proportionate and independent thought, and also collaboration with officers to temper the opinions of Committee Members.
5. Works sensitively with people inside and outside the Committee / Council.
6. Listens to and balances advice.

Must have no personal, legal or contractual relationship with the Council (including employees or Members or former staff), or any other relationship/activity which might represent a conflict of interest.

ELECTED MEMBERS SPECIFIC TRAINING NEEDS – TRAINING MODULES FOR THE FOLLOWING:

	Training Modules/Sessions
<p>Mandatory Introduction and Induction</p>	<p>Induction Session held before first meeting of the year – Introduction: Role and Purpose of the Committee Roles of Sec 151 Officer, MO, Internal Audit Manager, Independent Members Key documents and reports pack for all Committee Members</p>
<p>Knowledge Modules</p> <p><u>Essential</u> Training, which will be arranged by RBC. Members are expected to attend training modules.</p> <p>NB – a couple of these may be combined.</p>	<p>Governance</p> <ul style="list-style-type: none"> ➤ Local Code of Governance and the Annual Governance Statement ➤ Council’s arrangements for upholding standards for Elected Members and staff (separate Code of Conduct Training is essential training provided for all new Members) <p>Risk Management</p> <ul style="list-style-type: none"> ➤ Understanding of the principles of risk management and link to good governance and decision-making ➤ Awareness of the Council’s major risks – major development projects of the Council ➤ Council’s risk management policy ➤ Fraud and corruption risks <p>Financial Management and Accounting</p> <ul style="list-style-type: none"> ➤ Awareness of the Financial Statements that the Council must produce and the principles it must follow to produce them. ➤ Understanding of good financial management principles

	<p>Treasury Management</p> <ul style="list-style-type: none"> ➤ Regulatory requirements ➤ Treasury risks ➤ The Council’s Treasury Management Strategy and policies <p>Internal Audit</p> <ul style="list-style-type: none"> ➤ Awareness of the key principles of the PSIAS (public sector internal audit standards) and Local Government Application Note (LGAN) ➤ Arrangements for delivery of the internal audit service ➤ Difference between internal and external audit roles <p>External Audit</p> <ul style="list-style-type: none"> ➤ Role and functions of external auditor – Invite External Auditors ➤ Key reports and assurances that external audit will provide. ➤ Arrangements for the appointment of auditors ➤ Types of questions that should be asked of external auditors.
	<p>Licensing Hearing Training</p> <p>For all Councillors who will participate in Licensing Hearings</p>
Skills	<ul style="list-style-type: none"> ➤ Chairing skills for chairman and vice-chairman of committee ➤ Potential for joint questioning skills training with OSC Committee Members