Runnymede
BOROUGH COUNCIL

Standards and Audit Committee

Thursday, 30 May 2024 at 7.30 pm

Council Chamber - Civic Centre

Members of the Committee

Councillors: S Jenkins (Chair), MD Cressey, J Furey, P Gahir, T Gracey, R King, G Moudgil, M Nuti, M Singh and S Whyte

In accordance with Standing Order 29.1, any Member of the Council may attend the meeting of this Committee, but may speak only with the permission of the Chairman of the Committee, if they are not a member of this Committee.

AGENDA

Notes:

1) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.

2) The relevant 'background papers' are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Democratic Services, Democratic Services Section, Law and Governance Business Centre, Runnymede Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425627). (Email: Democratic.Services@runnymede.gov.uk).**

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The Chairman will make the final decision on all matters of dispute in regard to the use of social media audio-recording, photography and filming in the Committee meeting.

List of matters for consideration <u>Page</u>
Part I

Matters in respect of which reports have been made available for public inspection

Part II

Matters involving exempt or confidential information in respect of which reports have not be made available for public inspection

Runnymede Borough Council

Standards & Audit Committee – Salary Re-grading Appeal

Friday 15 March 2024 at 11:00am

Members of the Committee present: Councillors J Hulley (Chair), M Cressey, S Jenkins.

The other Members of this Committee were not required for this meeting.

1. Notification of Changes to Committee Membership

There were no changes to committee membership.

2. Apologies for Absence

There were no apologies for absence.

3. Declarations of Interest

There were no declarations of interest.

4. Procedure for the conduct of business

The procedure for the conduct of business was noted.

5. Re-Grading Appeal

The Standards and Audit Committee met to consider an appeal by an employee regarding the grading of their post.

The report and its content were confidential as they identified individuals.

The Committee determined the matter in accordance with the procedure as set out in the agenda papers and had due regard to the advice provided by both the Corporate Head of HR and OD and the Corporate Head of Law and Governance, acting as Secretary to the Committee.

Both the appellant and Assistant Chief Executive presented their cases and there was an opportunity for each to ask questions of each other and the panel to do so also.

The Committee adjourned at 13:30 and re-convened at 14:20.

After careful consideration, the Panel determined that the appeal should be rejected.

As stated in the procedure, staff appeals heard by the Standards and Audit Committee (and Sub-Committee) were the last internal mechanism of appeal open to an employee.

Resolved that –

The appeal be rejected for the reasons given to the appellant at the meeting.

(The meeting ended at 2.29pm) Chairman

Runnymede Borough Council

Standards and Audit Committee

Tuesday, 19 March 2024 at 7.30 pm

Members of the Committee present:	Councillors J Hulley (Chair), MK Cressey (In place of M D Cressey), S Dennett, S Jenkins, J Mavi, M Singh, S Whyte, S Williams and J Wilson.
Members of the Committee absent:	Councillor S Walsh.

63 **Notification of Changes to Committee Membership**

To record that Councillor Michael Cressey substituted for Councillor Malcolm Cressey.

64 **Minutes**

The Minutes of the meeting of the Committee held on 23 January 2024 were confirmed and signed as a correct record.

65 **Apologies for Absence**

Apologies for absence were received from Councillor S Walsh.

66 **Declarations of Interest**

There were no Declarations of Interest.

67 **External Audit Update BDO**

The Committee noted an update from the Council's outgoing external auditors, BDO, regarding the anticipated timeframe in which they expected to conclude their audit of the Council's 2019/20 financial statements.

Members were advised that the sector backstop date had been confirmed as 30 September 2024. BDO aimed to complete the value for money section of the audit during March to May. This was still concerning the Council's previous acquisition of investment property, the adequacy of legal advice followed at the time and whether the Council had acted in accordance with the applicable statutory framework.

BDO would also consider the non-statutory Best Value Notice issued by the Department for Levelling Up, Housing and Communities, Capital Assurance Review undertaken by CIPFA and the Council's response to this.

In respect of the audits for 2020 – 2023, BDO stated that these were likely to be disclaimed audits, combined into one document, and in line with the new code requirements. It was noted that BDO had a high level of confidence that all outstanding items would be completed by the backstop date.

Officers from BDO would present their Audit Completion report to a future meeting of the Committee to include a breakdown of work undertaken, findings and intended submission to PSAA regarding the anticipated variation to the scale fee for 2019/20. There was some concern expressed about the projected fee and that of the incoming auditors Grant Thornton.

Officers confirmed that the fee for 2018/19 was also unresolved but that the PSAA (Public Sector Audit Appointments Limited) would be the body that approved the fees payable by the Council.

68 **External Audit Progress Report Grant Thornton**

The Committee noted the progress report and sector update from the new external auditors, Grant Thornton, who had been appointed by PSAA for the next five year appointing period.

Grant Thornton would start with auditing the Council's financial statements from 2023/24 onwards. However, if the prior year's opinion was disclaimed, they would need to start with auditing the opening balances for 2023/24, for which clarity over the additional work required was still needed. This additional work would have an impact on the fee. Officers from Grant Thornton would confirm the likely audit fee when determined to a future meeting of the Committee, noting that the PSAA had set the scale fee for 2023/24 at £199,771. Some Members queried this significant increase and it was confirmed that the previous fee had been too low and not kept pace with the nature and complexity of the audit world, particularly in local government.

Members reviewed the 'audit deliverables' for 2023/24, noting that Officers from Grant Thornton would present their audit plan to the meeting of the Committee in either May or July 2024. Preparatory meetings had taken place with the Council's Section 151 Officer and senior Finance colleagues who had also attended a useful workshop giving insights into elements of the audit approach.

The 'sector update' was appreciated by Members who gained a better understanding of pressures in the audit and finance sector that had resulted in significant delays to external audits being completed. The sections on the Public Account Committee inquiry to whom Grant Thornton had submitted evidence which raised some doubt on the backstop date of 30 September being achievable.

The report was duly noted.

69 **Internal Audit Update - TIAA**

The Committee noted the latest reports from TIAA the Council's outgoing internal auditors.

Members were advised that since the last meeting three key audits had been finalised. These were for Payroll (Substantial outcome), Key Financial Control (Reasonable outcome) and Meals at Home (Limited Outcome).

Officers went through each of the reports and summarised the recommendations and timescales in which to achieve them.

With regard to Meals at Home, the Head of Service had requested the audit and been fully engaged with it. The findings had resulted in a limited assurance report because a range of weaknesses had been identified which could prevent objectives being achieved or give rise to a level of risk to the Council. It was clarified that whilst proper practices were being carried out they had not been sufficiently evidenced by documentation. Officers reported that bringing two local authorities together had caused some minor issues but that these were all being addressed with assistance primarily from the Council's accountant for Community Services to whom thanks were extended. In respect of some of the Management Comments, Officers considered it was important to give a balanced view and recognise the positive findings and good practice being demonstrated. It was confirmed that findings and resolutions would be shared with Surrey Heath.

Officers from Community Services referred to the Rapid Improvement Plan and agreed to provide the Committee with a copy of it. This included details of how the recommendations would be implemented and outlined training for relevant staff. It was also important to note that despite a number of operational issues staff had still successfully delivered the services across Community Services and that there was a fuller understanding of risk reporting. This indicated that the audit had been conducted in accordance with its remit to be a risk based audit which had identified procedural gaps rather than service delivery shortcomings. Members also noted that Officers had taken a pro-active approach to the audit and were thanked for the extensive actions taken as a result.

Officers from TIAA were asked to provide the Committee with a copy of the last audit of Safer Runnymede and Officers from SIAP to confirm when Safer Runnymede was next due an audit.

In terms of progress with the 2023/24 audit plan Officers from TIAA would bring the audit on Risk Management to the next meeting of the Committee in May 2024 along with their final Annual Audit Assurance report and the findings of the audit on Safeguarding.

It was noted that since the last meeting, 4 recommendations had been completed, leaving just one outstanding in respect of Data Protection and Information Governance which Officers expected to be finalised very shortly.

The report was duly noted.

70 **Internal Audit Charter 2024-25**

The Committee was asked to approve a new internal Audit charter presented by the Council's incoming Internal Auditors, SIAP (Southern Internal Audit Partnership) with whom the Council had entered into a contract from 1 April 2024, as approved by the Corporate Management Committee in December 2023.

The charter was drawn up in accordance with the current Public Sector Internal Audit Standards which provided a consolidated approach to audit standards across the public sector and set out the purpose, authority and responsibility of the audit function.

Officers drew attention to the suite of forthcoming reports for the year and the list of assurance services SIAP would provide. It was confirmed that SIAP were open to the Committee requesting a particular audit, depending on its scope and nature. SIAP would continue the agreed risk-based audit approach and could perform the role of critical friend on the Council's various systems and processes.

Officers from SIAP would present the new Public Sector Internal Audit Standards to a future meeting of the Committee after their introduction in January 2025.

Members were content with the proposed charter, its mission and core principles and were satisfied with the arrangements to ensure independence and objectivity of the auditors.

Resolved that –

The Internal Audit Charter for 2024/25 be approved

71 **Internal Audit Plan 2024-25**

The Committee was asked to approve the Internal Audit Plan for 2024/25 presented by Officers from SIAP.

The plan had been drawn up following meetings with the current auditors for a smooth handover and with Officers from the Council's Senior Leadership Team. Members noted the role of the internal audit function and their aim to support the Council's framework of internal control and identify risks to the achievement of the Council's objectives as outlined in the Corporate Business Plan and other key documents.

Officers had scrutinised the Council's corporate risks when creating the plan and sought to align it with this but remain flexible. In Quarter 1 the following audits were planned; Information Governance, Climate Change, and Disabled Facility Grants. Quarter 2 contained a greater number of audits including Emergency Planning and Business Continuity, the non-statutory Best Value Notice Programme, ITIL Assurance Mapping, Tree Safety and Housing Health and Safety. In Quarter 3 SIAP would focus on some Core Financial audits and changes to the Environmental Act 2021. With regard to the latter, should the regulations require any significant change to service delivery Officers from Environmental Services would, present a report to a future meeting of the Environment and Sustainability Committee. In the last quarter of the year Members noted that the following areas would be audited; Community Safety, for which a more detailed scoping document would be produced, Housing Repairs – Reactive, IT Contingency, and Workforce Planning.

Officers from SIAP would as with the current auditors, bring update reports to each meeting of the Committee and agreed to add a 'priority' column to the plan against each planned audit.

Officers were thanked for their report and Members looked forward to the next meeting's update.

Resolved that –

The Internal Audit Plan for 2024/25 be approved

72 **Standing Order 27 Request - Internal Data and Reporting on Contract Management**

The Committee welcomed an information report on contract management which had been requested under Standing Order 27.

Two Members of the Committee had asked for four specific issues to be covered with some statistical information against each area.

Officers had firstly set out the Council's powers and obligations with regard to contracts and the circumstances under which a waiver to contract standing orders could be made. It was noted that from 1 April 2022 to 22 February 2024, 73 waivers had been granted. The Council's register as at December 2023 contained 186 live contracts with a value of over £5,000. Officers confirmed that there were more contracts but were under the threshhold so not included on the register from which the data had been extracted.

With regard to improvement notices it was reported that there had been three issued in the last five years to three different contractors, one of whom was currently still engaged by the Council and was related to Housing.

In respect of instances where contracts may have been stopped or abandoned due to Council omissions or failures in the specification/requirements, Officers confirmed there had been none. However, there had been a revision to a specification in respect of one procurement of a software system following pre-procurement engagement with suppliers. It was stressed that the procurement had not been abandoned, rather having early engagement allowed the Council to revise its specification prior to commencing formal procurement.

In relation to the final question, Officers referred to the Council's Procurement Policy and advised that, to date, no contractor had breached the provisions and no formal action had been required.

The Committee was very pleased with the report and the Section 151 Officer was requested therefore to report annually on contracts and contract waivers including providing some benchmarking data with other local authorities.

73 **Provisions in Member Code of Conduct relating to Member interaction with Press**

The Committee noted a report which had arisen from a recent discussion at the Constitution Member Working Party concerning the Council's revised Publicity and Media Handling Protocol. This had led to a request to review guidance on how Councillors interacted with the press.

Members were provided with the background to the introduction of the new Councillor Code of Conduct which the Council had adopted in 2020. This set out a series of principles and standards of behaviour when acting or perceived to be acting in their capacity as a Councillor. Officers confirmed that the Code was not intended to impede Councillors' interactions, including with the press, rather when doing so they should abide by its provisions. For example, treating people with respect, not bullying or harassing people, being impartial, not taking advantage of their position. Not disclosing confidential information, not misusing Council property and not bringing their role into disrepute. Councillors also noted that they should act with integrity and honesty, lawfully and lead by example.

Officers considered that reviewing the whole code in the context of dealing with the press could lead to duplication as the Code applied to all interactions including with the press and social media.

The Monitoring Officer was asked to issue a reminder to all Councillors about their interactions with the press and social media and to provide refresher training for Councillors.

The report was duly noted.

74 **Standards and Audit Proposed Work Programme**

The Committee's approval was sought for a draft work programme for 2024/25 in response to a request from Members of the Committee. This review also looked at the frequency of meetings and whether additional meetings were needed to reflect the evolved role and to review the steps being taken to address receipt of the non-statutory Best Value Notice as there would be a series of updates being submitted over the next few months. With regard to the last point, Officers outlined the proposed reporting process taken from the Programme Charter.

Members noted that Article 8 of the Council's Constitution set out the Committee's current remit. This was essentially divided between a governance role and one of auditing and oversight of risk management and internal control. It was acknowledged that the audit role had expanded, with the Local Code of Corporate Governance and Annual Governance Statement being two large responsibilities and having significant input from both internal and external auditors.

Officers advised that working with 4 sets of auditors in the transitionary period gave rise to additional work at least in the short term. An additional meeting in March each year had been suggested, which the Committee agreed was sensible. The extra meeting contained a full agenda, as would May with all the auditors having something to report before the new auditors took the programme forward over the next five years.

The Committee agreed that the work programme as presented was fuller than desirable in the early part of the year. Therefore, it was agreed to move the following items from the Work Programme and Forward Plan from the May 2024 meeting to the meeting of the Committee in July 2024:

- Fraud Update and Review of the Anti-Fraud Policy
- Complaints about Councillors – municipal year 2023/24
- Adoption of the Local Government Ombudsman Complaint Handling Code

In addition, Officers from Grant Thornton would combine the report on the Annual Audit Letter with the External Audit and Auditor's Annual Report at the meeting of the Committee in January 2025.

With regard to the backlog in external audit, the Committee was advised that as at 31 December 2023 there were 771 outstanding audit opinions in local bodies in England. Parliament had set out proposals to tackle this in 3 stages, each of which were detailed in the report. This put enormous pressure on the auditing process both for councils and auditors to return to a more normal timetable by 2028 and take into account the findings of the Redmond Review which formed phase 3 of the process, looking into the challenges that had led to the backlog and a long term reform of financial reporting. It was reported that an Audit, Reporting and Governance Authority would be established which would require primary and secondary legislation to be in place. Further recommendations would be incorporated into various sector guidance such as CIPFA's Position Statement on Audit Committees 2022 or other CIPFA codes.

Officers suggested other proposals for change which were all supported by the Committee. These were to consider a paper at a future meeting on the inclusion of co-opted independent members to provide appropriate technical expertise, undertaking an annual self-assessment of the Committee's performance and reporting annually to full Council on the Committee's work. In addition, it was agreed to request that full Council approve transferring ownership of the Statement of Accounts and Annual Governance Statement from Corporate Management Committee to the Standards and Audit Committee. This would also reduce the duplication of currently submitting identical reports to each committee. Full Council was due to consider the Council's Constitution review at its meeting in April 2024. Therefore, Officers would prepare a report updating Article 8 as detailed in the report and recommendations.

It was suggested by some Members that a verbal update on the BVN programme be provided at future meetings. However, Members were reminded that written reports would come through as part of the Programme.

Some Members asked that consideration be given to the title of the Committee in the new Municipal Year with an initial suggestion of 'Governance and Ethics Committee' being made. In the meantime the Monitoring Officer would review the narrative on the website of the Committee's function and remit to make it clearer.

Members noted the financial, risk and legal implications of the report and endorsed the proposals accordingly which it was agreed would establish the Committee's key role in maintaining the Council's governance framework.

In closing the meeting, the Chair thanked the Committee, Auditors and Officers for their contribution.

Resolved that –

i) the draft work programme at Appendix 'A' be approved;

ii) request that the Assistant Chief Executive (s151) develops an appropriate process for self-assessment of the Committee's effectiveness based on Cipfa guidance and examples of best practice, in consultation with the Chair and Vice-Chair of the Committee and the Corporate Head of Law and Governance;

iii) commit to providing an annual report on its work programme to Full Council;

iv) instruct that officers explore the potential to seek co-opted independent members of the Committee, reporting options back to the Standards and Audit Committee for consideration; and

v) full Council be requested to confirm that responsibility for the Annual Governance Statement and the Statement of Accounts sits with the Standards and Audit Committee

75 **Exclusion of Press and Public**

There were no exempt or confidential items on the agenda.

(The meeting ended at 10.00 pm.) Chair

Report title	**Annual Governance Statement 2023/24**
Report author	Amanda Fahey, Assistant Chief Executive / s151 officer
Department	Corporate Leadership Team
Exempt?	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

- **To resolve**

Synopsis of report:

All local authorities are required to undertake, at least annually, a review of the effectiveness of their system of internal control and to report on this review alongside the Statement of Accounts. This review is set out in the Annual Governance Statement which explains how Runnymede Borough Council has complied with its own governance framework and identifies any areas for improvement.

Recommendation(s):

To approve the draft Annual Governance Statement 2023/24 (Appendix A) for signature by the Co-Leaders of the Council and the Chief Executive and publication alongside the Annual Statement of Accounts for 2023/24.

1. Context and background of report

1.1 Good governance provides a framework to enable an authority to deliver outcomes for its residents and stakeholders, underpinned by appropriate controls and the management of risk. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, with sound and inclusive decision-making and clear accountability for the use of resources.

1.2 In order to achieve effective corporate governance, the Council has adopted a local code of corporate governance (the Code) which reflects guidance contained in the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*.

1.3 The Code, which is set out in the Council's constitution, is built around seven underlying principles of good governance, and demonstrates how the Council's internal processes and governance framework support the delivery of those principles.

1.4 The Annual Governance Statement meets statutory requirements to report publicly on the extent to which the Council is complying with its own code of governance and should include:

- How the effectiveness of governance arrangements has been monitored and evaluated in the year, and
- Any planned changes in the coming period

1.5 There is a strong link between governance and financial management, with a focus on sustainability, as the Council needs to recognise its responsibilities not just to its existing stakeholders but to understand the impact of current decisions and actions on future generations.

2. The Annual Governance Statement 2023/24

1.6 The draft Annual Governance Statement for 2023/24 is set out at Appendix A.

1.7 The Statement relates to the governance systems in place for the financial year 2023/24 but should also reflect any significant developments to the governance system up to the date that the Responsible Financial Officer (s151 Officer) signs the Statement of Accounts.

1.8 The Statement describes how the Council has complied with the following seven core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management, and
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

1.9 Some key improvements to the system of governance have been made in the year and are set out in the Statement. The most notable of these are the development of the climate change action plan and carbon baseline measurement; the review of risk management and the introduction of risk appetite statements; and the development of workstreams designed to evidence how the Council is delivering its duty under Best Value requirements.

1.10 In addition, this year's Statement includes a greater emphasis on how the Council has tested the effectiveness of its governance arrangements rather than simply describing the key systems and activities which take place. This element is essential in demonstrating that the Council not only has sound governance measures in place but that it regularly tests those processes, learns from the outcomes of those assessments and responds by making improvements. One example would be the internal audit programme where systems and processes are tested via internal audit review, recommendations are made for improvement and Managers then implement those recommendations.

1.11 The 2023/24 Statement should be considered in light of external stimuli which may include regulatory changes effecting individual services, global pressures such as climate change, international pressures due to conflict which have an impact on local services, or sector-wide issues such as the increasing scrutiny of local authority finances. Responses to these external factors are shown throughout the Statement and have shaped the actions for improvement for 2024/25, which are aligned to the Council's response to receipt of a non-statutory Best Value notice in December 2023.

1.12 An update on progress against the areas identified for improvement in the previous Statement is included in the appendix to the Statement alongside the areas identified for review in the coming financial year.

1.13 Last year, an additional table was included to provide an update on areas that were identified to strengthen the Council's compliance with Cipfa's Financial Management Code, as reported to Members in January 2022. Some of these actions were proposed to be implemented over a number of years and the table has been updated to reflect progress during 2023/24, with 2 remaining actions on target to complete during 204/25.

3. Policy framework implications

1.14 The Annual Governance Statement supports the policy framework of the Council by undertaking a regular, robust review of its governance arrangements, in an open and transparent way. The policy framework may be updated or amended as a result of the action plan that is set following the review. The Annual Governance Statement will touch on many of the policies and strategies of the Council, including, but not limited to, financial plans, procurement, risk management, HR policies, data protection, transparency, freedom of information and many more. Changes implemented to the governance framework as a result of the annual review will be reflected in the Council's Local Code of Corporate Governance at its annual review.

4. Resource implications/Value for Money

1.15 While there are no direct financial implications stemming from this report, the Annual Governance Statement forms an integral part of the Council's framework of governance and control, influencing the way in which its resources are used and feeding into the "Value for Money" element of the annual external audit process which provides an opinion on the effective, efficient, and economic use of Council resources.

1.16 In addition, the Statement goes to the core of the Council's ability to carry out its Best Value duties under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which it works, having regard to a combination of economy, efficiency and effectiveness. This includes a responsibility to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

5. Legal implications

1.17 The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) fulfils the statutory requirements set out under Regulation 6(1)(a) of the Accounts and Audit

Regulations 2015 which require a local authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 requires this statement to be an Annual Governance Statement.

6. Equality implications

1.18 There are no specific equality implications of this report, other than acknowledgement of the importance of equality matters and how they are addressed as part of the Local Code of Governance, which in turn is reviewed via the Annual Governance Statement.

7. Environmental/Sustainability/Biodiversity implications

1.19 Again, while there are no specific environmental, sustainability or biodiversity implications contained within this report, the delivery of sustainable outcomes lies at the core of the Council's vision and the Annual Governance Statement has a key role in ensuring that key priorities and outcomes are delivered, by reviewing the framework for decision-making and resource allocation.

8. Risk Implications

1.20 The Council's governance framework enables it to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Runnymede Borough Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and the impact should they be realised; and
- to manage those risks efficiently, effectively and economically.

1.21 The production of the Annual Governance Statement ensures that the governance framework is subject to on-going review, is reflective of current risk and adapts to external stimuli, thus mitigating the risk that the Council's objectives will not be delivered.

9. Other implications

1.22 The production of the Statement brings together reporting that has taken place to Members across all committees throughout the year on relevant topics that may affect the governance of the Council. In addition, all of the Senior Leadership Team have been consulted and have provided input to the Statement. All senior managers have also completed an annual declaration wherein they acknowledge their responsibility to manage their services in accordance with Council procedures and practices that uphold the internal control and assurance framework. These returns provide an opportunity for managers to raise any queries, identify any gaps in processes or knowledge, and to request training where needed.

10. Timetable for Implementation

1.23 The Statement has been prepared in accordance with the timelines applicable for publication alongside the 2023/24 Statement of Accounts. Following approval of the Annual Governance Statement by the Committee, the Statement will be presented to the Co-Leaders of the Council and the Chief Executive for signing on behalf of the Council. The action plan set out in the appendix to the Statement will be taken forward during 2024/25.

11. Conclusions

1.24 The Annual Governance Statement set out at Appendix A provides a review of the effectiveness of the Council's system of internal control and governance framework alongside an action plan for improvements. The review demonstrates that a sound system of control has been in place for the financial year 2023/24. The Committee is asked to consider the draft Statement and approve it for signature by the Co-Leaders of the Council and the Chief Executive, as required by the Accounts and Audit Regulations 2015.

12. Background papers

- CIPFA/Solace Delivering Good Governance in Local Government: Framework 2016

13. Appendices

- Appendix A: Annual Governance Statement 2023/24 (to follow)

Report title	Informing the Audit Risk Assessment 2023/24
Report author	Paul French – Corporate Head of Finance
Department	Financial Services
Exempt?	No
Exemption type	not applicable
Reasons for exemption	not applicable

Purpose of report:

To resolve

Synopsis of report:

The Council's new external auditors, Grant Thornton, have carried out a risk assessment to inform their audit work for the financial year 2023/24. The purpose of this report is to share Management's responses with Members for their awareness and consideration.

Recommendation that:

"Informing the audit risk assessment for Runnymede Borough Council 2023/24" be approved and the external auditors be notified if there are any additional matters that the Committee considers may also impact on the planned audit work and context for the financial year ending 31 March 2024.

1. Context and background of report

1.1 Audit risk assessment is the process that auditors perform in the planning stage of the audit. Auditors perform the audit risk assessment by identifying the risks of material misstatement and responding to such risks with suitable procedures.

1.2 Auditors perform an audit risk assessment after obtaining an understanding of the client's business and control environment. They usually try to identify the risks while gaining an understanding of the client's business and control environment. Then, they assess how those risks could impact financial statements and make a proper response to such risks by designing suitable audit procedures.

1.3 Informing the Audit Risk Assessment is an external audit-related review (introduced by Grant Thornton in response to revised financial reporting standards) which is completed by the Council's management ahead of the main audit.

2. Report and, where applicable, options considered and recommended

2.1 The completed document ("Informing the audit risk assessment for Runnymede Borough Council 2023/24") is attached at Appendix 1.

2.2 As set out on page 4 of the Appendix, the purpose of the document is "to contribute towards the effective two-way communication between Runnymede Borough Council's external auditors and Runnymede Borough Council's Audit Committee". The report sets out audit queries and the management responses covering general enquires of management, fraud, laws and regulations, related parties, going concern and accounting estimates.

3. Policy framework implications

3.1 The additional oversight provided by undertaking this review and considering the response made by Management to the auditors, helps support good governance in the organisation which in turn supports the overall governance framework of the Council and the management of risk.

4 Resource implications/Value for Money

4.1 There are no additional costs associated with this report.

5. Legal implications

5.1 The legal basis of external audit of local authorities is provided via the Local Audit and Accountability Act 2014. Those responsible for the conduct of public business and for spending public money are required to ensure it is conducted and expended in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

5.2 In discharging these responsibilities, a local authority must put in place proper arrangements for the governance of its affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their published Annual Governance Statement.

5.3 In conducting their work auditors will:

- plan and manage the audit in a timely, professional, and efficient manner
- plan to complete work within agreed deadlines
- maintain close liaison with the local authority
- provide appropriate and adequate resources and assign responsibilities to staff with the relevant expertise and experience.

5.4 In meeting their responsibilities, local auditors obtain representations from management, both orally and in writing, on specific aspects of the audit.

6. Equality implications

6.1 None identified.

7. Environmental/Sustainability/Biodiversity implications

7.1 None identified.

8. Risk Implications

8.1 Assessment of risk is an important part of how the auditors will shape their work programme and make it effective and efficient. It is therefore essential that robust responses are made to inform the risk assessment.

9. Other implications

9.1 None identified.

10. Timetable for Implementation

10.1 Not applicable

11. Conclusions

11.1 This report and appendices are for noting unless the Standards & Audit Committee has additional issues to raise.

12. Background papers

- None

13. Appendices

- Appendix A - Informing the audit risk assessment for Runnymede Borough Council 2023/24

Informing the audit risk assessment for Runnymede Borough Council 2023/24

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Runnymede Borough Council'sexternal auditors and Runnymede Borough Council's Standards and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Standards and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with theStandards and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Standards and Audit Committeeand also specify matters that should be communicated.

This two-way communication assists both the auditor and the Standards and Audit Committeein understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from theStandards and Audit Committee and supports the Standards and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the council'soversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Runnymede Borough Council's management. The Standards and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	Non-Statutory Best Value Notice (consideration within value for money reporting and narrative statement) Valuations of office and retail units within our investment property portfolio given the downturn in economy on this area in recent years
2. Have you considered the appropriateness of the accounting policies adopted by Runnymede Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Not in the current year. Nothing has changed since 2022/23. IFRS16: Leases will be accounted for in 2024/25 but will form a note in the 2023/24 SoA
3. Is there any use of financial instruments, including derivatives? If so, please explain	No
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No Impairments anticipated. Impairment email sent round to SLT at year end to establish anything we are unsure of and then assessed with the Valuer if revaluation needed. New valuers this year. They may have different approach to valuations which may lead to major movements up or down in the valuations. This would also take into account any changes in market conditions – particularly for retail/office premises.
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by during the year. Please indicate where they are working on open litigation or contingencies from prior years?	External solicitor wise the main ones we have are the South London Law Partnership (SLLP) who do Housing litigation work for us. They deal with possession, anti-social behaviour, homeless claims and disrepair claims. They also undertake commercial property litigation on behalf Assets and Regeneration i.e., seeking to recover debts on commercial property. Apart from SLLP the only other solicitors we are currently using are FieldFisher in relation to the possible cladding claim. We also use a firm called Freeths to draft contracts on our behalf and provide advice on contract matters. Freeths also do Planning work for us, which

General Enquiries of Management

Question	Management response
9. Have any of the Runnymede Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Link Asset Services – Treasury Management Advice LG Futures – Collection Fund advice Montague Evans – Valuation advice
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Year end working papers D11 (sundry debts), F1 (Investments) and F20 (Company Loans) will relate

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Standards and Audit Committee and management. Management, with the oversight of the Standards and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Standards and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Runnymede Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Standards and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Standards and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Standards and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Runnymede Borough Council's management.

Fraud risk assessment

Question	Management response
1. Has Runnymede Borough Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the council's risk management processes link to financial reporting?	The s151 officer is responsible for the Council's anti-fraud service which is managed by colleagues at Reigate and Banstead Borough Council. The fraud team work predominantly with the Housing team, Council Tax and Benefits Team, but also carry out awareness sessions across the Council e.g. with the Finance Team. The team also administer the Council's participation in the National Fraud initiative matching exercise, liaising with Council departments to provide the relevant data sets and following up on any matches / queries arising. Quarterly reporting of the savings (cashable and notional) from Fraud work are provided to the Assistant Chief Executive/s151) and presentations on the the work of the team have been made to both the Standards and Audit committee and the Housing Committee. The last Fraud reporting to the Standards and Audit Committee set out an action plan for the current year which included designing a communications plan to raise internal and external awareness of the Council's anti-fraud work and a range of actions to support anti-fraud measures, which are in progress. Periodically, additional external reviews (outside of NFI data matching exercises) are undertaken in respect of Single Person Discount (Council Tax) for example. Housing Benefit Assurance process is undertaken by suitably qualified external auditors to exacting DWP standards. Internal audit of key system controls also supports the prevention of fraud e.g. suitable separation of duties in respect of purchasing, treasury management, banking controls etc. There are no "bonus" payments for staff directly linked to financial outcomes within the statements, so no incentive to manipulate figures for personal gain. Suitably qualified consultants are used for specialist areas such as property valuations. While these measures combined cannot remove all potential risk of fraud, they do provide assurance that the financial statements do not contain material misstatement due to fraud. Financial risks identified within Risk Registers will be used to inform scenario planning within financial forecasting, particularly for significant value risk such as changes to commercial property income. Risk mitigation includes the building gup of sinking funds to manage fluctuations in this large income stream, and takes account of known lease events, break clauses etc, building funds to manage potential void periods and to provide appropriate lease incentives such as rent-free periods for new tenants. Provisions

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Much work has been done during 2023/24 to refresh the Risk Management Framework including the development of risk appetite statements. This was proposed as part of the actions falling out of the Annual Governance Statement and supported by recommendations from Cipfa in their review. A dashboard for reporting key risks has been developed and approved by the Standards and Audit Committee as part of a suite of three reports taken through the Committee process during 2023/24. Twice yearly reporting of risk is now established moving forward (May/October). The senior leadership team (SLT) have been fully involved in the process throughout, with individual sessions with the Project Management Office held to update risk registers and demonstrate the new process. Full Council approved the Risk Framework and the Risk Appetite Statements during the year. The Standards and Audit Committee recommended that reports to Committees now include a section on risk as a mandatory element of the report template, so that an overview of risk issues is always considered as part of formal decision-making. This was approved by full Council and adopted. Fraud reporting has been introduced with presentations being made to both the Standards and Audit Committee and the Housing Committee and an action plan instigated for further development of anti-fraud work, including update of the Anti-Fraud policy. Internal audit assurance reports also provide assurance about controls in key financial systems and process to mitigate the potential for fraud. Internal audit report to every Standards and Audit Committee meeting. Internal Audit carried out an audit of Risk Management in the Council during February – this will be fully reported to Members at the next scheduled meeting following finalising of management responses to the audit recommendations. The recommendations will also feed into the next Risk reporting to the Committee as part of a continuous improvement process as our risk management processes mature.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? 11 Are there particular locations within Runnymede	There will always be some risk of fraud around Council Tax and Benefits, Housing matters (tenancy fraud / housing register applications etc), supplier payments for example. Internal controls are considered robust and proportionate to the risk. Fraud identified by the fraud team is not considered unusual or out of kilter in volume.

Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for Runnymede Borough Council, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	See previous responses. Examples include: • Two-factor authentication for remote sign on to RBC systems • Separation of duties e.g. for approval processes / treasury management • Secure systems • Internal audit recommendations • Review of Local Code of Corporate Governance • Annual Governance Statement and associated declarations • Related party transaction forms • Member declaration of interests • Robust monitoring of outstanding audit recommendations by the Standards and Audit Committee • There are no financial incentives to staff to achieve financial targets within the financial statements (the Council monitors Key performance indicators and project delivery as part of its suite of monitoring reports) • There is no management override of financial reporting • The s151 officer provides a detailed risk analysis of the budget proposals within the s25 report included in the budget proposals • The internal audit programme is risk-based • The Council has a strong anti-fraud service provided via Reigate and Banstead Borough council staff, who maintain a weekly physical presence at the council offices and have built a good working relationship with council staff
8. Are there any areas where there is potential for misreporting? If so, please provide details	No

Fraud risk assessment

Question	Management response
9. How does Runnymede Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The Council has adopted values and behaviours which are used a part of regular one-to-ones with staff and in the appraisal process. Relevant policies and procedures are promoted on the staff intranet, including HR policies, work style charter, annual leave arrangements, grievance processes, social media policy, & whistle-blowing policy. Members of the Fraud team have a visible presence in the organisation and attend team meetings with relevant business units to talk about their work and promote anti-fraud measures. A fraud action plan has been developed including a communications drive to ensure staff, Councillors and members of the public are aware of the work we do and to encourage people to keep their data up-to-date to avoid inadvertently committing fraud by omitting to tell us when their circumstances change. Financial regs and contract standing orders are maintained. Relevant staff training takes place. Staff are expected to report any concerns they have whether with customers or internally. No significant issues have been reported.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	High risk posts are those that have access to financial data, particularly payments, invoices, bank accounts, etc which may be manipulated for personal gain. This risk is mitigated by separation of duties, internal system controls, two-factor authentication, dual authorisation etc. Appropriate limits for authorisation and decision-making are maintained.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No. By ensuring declarations on interest ae maintained. Removing those with an interest from the decision-making process when transacting with the related party. Through training. Through maintenance of financial procedures.

Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Standards and Audit Committee? How does the Standards and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	Annual reporting has been introduced for the work of the Fraud Service, with an action plan for improvements. Eg consideration of a tenancy audit, which is now being taken forward under a pilot scheme with NEC / communications plan. The Committee received a presentation from the Fraud Service which they recommended be taken to Housing Committee for wider circulation. Fraud risk should also be reviewed as part of Service Risk registers, scored appropriately, and included on the Corporate Risk Register if post-mitigation scores remain significant. Risk is to be reported twice yearly to the Committee from now on. (A suite of 3 risk reports were taken to the Committee in 2023/24). The Committee will also see all internal audit assurance reports and therefore any risk of fraud, or actual fraud, found as part of internal audit work. All of this feeds into the Annual Governance Statement review and any associated actions. Outcomes mentioned above including Fraud and Risk reporting, presentations, action plan and comms plan.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
14. Have any reports been made under the Bribery Act? If so, please provide details	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Standards and Audit Committee, is responsible for ensuring that Runnymede Borough Council'soperations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Standards and Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

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Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	The Council has in place a variety of Standing Orders covering areas such as contracts and the purchase or sale land. Those Standing Orders are drafted to ensure compliance with relevant laws and regulations. In addition to the Standing Orders the Council has also adopted various policies and procedures for discharging its functions which would have been subject to advice from either its internal legal team or external lawyers which would have involved ensuring those policies and procedures complied with relevant laws and regulations. When any matters are placed before any decision-making body of the Council i.e., Full Council or Committee then they will be looked at by the internal lawyers, and where appropriate external lawyers, to ensure compliance with relevant laws and regulations. When any legal matters are dealt with it will be handled by either an internal lawyer or external lawyer managed by an internal lawyer. A such matters will be conducted in a manner that ensures compliance with relevant laws and regulations. We also make sure Officers from other departments are aware of the SOs and comply with them.
What arrangements does Runnymede Borough Council have in place to prevent and detect non-compliance with laws and regulations?	The creation of a framework within which functions and actions are undertaken i.e., Standing Orders, policies and procedures and the involvement of qualified legal staff seeks to prevent non-compliance and also to detect non-compliance. The Council has also adopted an Anti-Fraud and Corruption Policy and a Whistleblowing Policy. The Council also has an internal audit function that supports it work to prevent or detect non-compliance with laws and regulations. Officers are supported to refer suspicious matters to the external Fraud Team for investigation
Are you aware of any changes to the council's regulatory environment that may have a significant impact on the council's financial statements?	No
2. How is the Standards and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The Standards and Audit Committee receives regular internal audit reports which would highlight and issues of non-compliance. Its functions include the following matters:

Impact of laws and regulations

Question	Management response
5. What arrangements does Runnymede Borough Council have in place to identify, evaluate and account for litigation or claims?	Identify - Normally a person will in their communication indicate to the Council that they are pursuing some form of legal action against the Council and in such instances, matters will be referred to the Legal Team because officers will require advice on how to respond to such matters. The council is reliant on officers drawing matters to the attention of the Legal Team. Given that all correspondence being sent to the Council is not checked by the legal Team it would have to be accepted that there maybe a rare case when a claim is not dealt with because an officer has kept it hidden. To date we are not aware of such an instance but the only way to guarantee such an event occurring would require a disproportionate amount of resources being allocated to scrutinising all correspondence sent to the Council to check matters. - In respect of claims that the Council could pursue there is a reliance on officers seeking advice from Legal when they believe that something has gone wrong with a matter, they are dealing with which would give rise to the Council being able to pursue a claim. - any litigation against the council comes to legal for assessment and reply - Housing matters are sent to external solicitors, SLLP, who assess, advise and process if deemed sustainable - Fraud matters are sent to Reigate & Banstead's Fraud team, who investigate, assess, advise and proceed if deemed sustainable - Each officer will be aware of what can and can't be pursued, will pass it to their manager for authorisation, the manager evaluates and sends to legal, who then advise on suitability, costs and proceeds with the matter if suitable Evaluate - We have a number of internal lawyers able to evaluate specific litigated matters, two of whom who can advise on all types of litigations - Prosecutions are evaluated against the Code of Prosecutors (CPS test)

Related Parties

Matters in relation to Related Parties

Runnymede Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Runnymede Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the council, or of any body that is a related party of the council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in Runnymede Borough Council's 2023/24 financial statements? If so please summarise: • the nature of the relationship between these related parties and Runnymede Borough Council • whether Runnymede Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	No. There may be some amendments resulting from Officer/Councillor changes during the year once data collected and reviewed at year end.
2. What controls does Runnymede Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Members and Officers are required to complete Declarations of Interest which are reviewed at the year-end along with year-end signed declaration statements from Councillors and Senior Management (sent out for completion 29/02/24) Declarations of interest are also minuted during Council meetings
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Council's procurement and payment authorisation rules (as per the Council's Financial Procedures) relate. Year-end review of declarations assessed for potential related parties with organisations known to have had a significant transaction with the Council.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	The Council's procurement and payment authorisation rules set out the process to be followed. Significant transactions outside of normal business are extremely rare. Any such instances would require Committee Reports seeking approval following the normal committee process – escalated from

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Runnymede Borough Council will no longer continue?	Senior Management Meetings – both CLT & SLT. CLT & SLT officers also have various meetings with external partners, attend national & regional events and subscribe to various media and social outlets that provide additional information on consultations, latest thinking and general updates on items affecting service areas. Monthly global budget reports and MTFS updates to SLT following monitoring exercises with Budget Managers (also reported as 1st & 2nd Qtr reports to Corporate Management Committee) where all actual and potential issues discussed. Internal and external audits Risk Management Framework reviewed quarterly by officers taking into account known/unknown/expected changes based on RAG ratings
2. Are management aware of any factors which may mean for Runnymede Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Runnymede Borough Council, does Runnymede Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Runnymede Borough Council to cease to exist?	Yes, we expect to continue No, we are not planning to cease to exist

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Standards and Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Standards and Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	See Note 5 of our Statement of Accounts: Asset Valuations, Pensions Liability, Business Rate Appeals, Impairment of debts
2. How does the council's risk management process identify and address risks relating to accounting estimates?	Through discussions with valuers, actuaries and treasury advisors and any other specialists required
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Where an estimate has been made in the prior year it is reviewed at the new year end to assess whether there is a need to change processes. Where we do not have sufficient knowledge or skill to assess the requirements of estimation for a particular item (having discussed it with internal staff with the best knowledge of the service area) we will buy in that resource (e.g. external valuers for annual valuation exercise, Treasury Advisors for treasury advice etc). Finance officers may also discuss items with Surrey counterparts through Chief Accountants Group or Surrey Treasurers to ascertain similar issues elsewhere and discuss treatments.
4. How do management review the outcomes of previous accounting estimates?	Previous year estimates reviewed when preparing new year estimates to assess whether there is a need to change processes for the current year Rolling programme of asset valuations so any significant changes can be replicated to similar assets not being revied in that year.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Knowledge gaps identified and addressed in training (both internal and external) and, depending on subject of estimate required, assessed at the time of generating the estimate as to whether adequate knowledge exists and needs to be brought in. High risk and specialist areas such as property asset valuations always externalised to provide assurance and are challenged by officers, where materially different from expectations, before being included.
7. How does the council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Council has various contracts in place with external providers such as valuers and treasury advisors won through competitive tendering exercises. As part of those exercises, specific requirements such as adherence to various rules and codes of practice, have been included as has (in the case of valuations) the need for fully qualified practitioners to sign off on the valuations following internal reviews before they come to the Council.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Contracts are monitored as part of the Council's contract management requirements and meetings are held with consultants/providers to discuss issues as required. Performance management of contractors is also carried out periodically to ensure that the contracts and work output are delivering as required. Officers requesting estimates will discuss any specific requirements with the consultants to ensure the necessary inputs to a decision are provided and clear outcomes are agreed. Once the estimates are provided discussions to aid understanding of the process and assumptions used are held and challenged by officers, where materially different from expectations, before being included
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the	Any significant accounting estimates are discussed with the Corporate Head of Finance or the Assistant Chief Exec (s151 Officer) to ensure oversight and ensure assumptions behind them are justified. If not, additional requests and research may be requested, Further advice will be sought from other senior colleagues, Surrey counterparts or external companies for areas not able to be addressed above

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Historical evidence/past experience, professional judgement of officers with knowledge of service areas and their requirements and discussions with peer groups and professional practictioners
12. How is the Standards and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through reports from internal and external auditors and the reports on the Statement of Accounts and the ISA260 report

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	External Valuers	Contract in place to adhere to relevant regulations Rolling programme of annual revaluations on a 4 year cycle. Both Corporate Head of Assets and Corporate Head of Finance review of valuations during process and challenge where deemed necessary	Yes	Assumptions will be set out in Valuation report from external valuers There will always be a degree of uncertainty inherent in any such valuations however the contracts we have in place and the challenge and reviews carried out by internal officers minimise misstatements	No
Council dwelling valuations	As above	As above	Yes	As above	As above
Investment property valuations	As above	As above but revalued annually at the year end date.	Yes	As above	As above

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Actuary's data	Part of SCC audit	Yes - Hymans	See Actuary's report – working paper P1	No
Level 2 investments	Not applicable				
Level 3 investments	Not applicable				
Fair value estimates	See Valuation comment above				

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Spreadsheets	Provisions usually restricted to Business Rate Appeals Using best guess based on RV data	No	Use VO data on past history of success which has proved pretty reliable in the past.	No
Accruals	Spreadsheets	Outstanding POs and review of previous year to ensure all covered Also covered in guidance to staff and monthly discussions between accountants and budget managers.	No	Only real uncertainty relates to work on construction schemes at year end (which we currently have none of this year).	No
Credit loss and impairment allowances	Spreadsheets	Assessment of markets and type of debt, historic repayment and assumptions for each typoe of debt	Link Asset Services for Treasury related impairments	Historic default rates will continue to used as a basis for default. For investments, the Council has not invested in institutions who have got into financial difficulties due to our low risk counterparty criteria Assumptions on debt type impairments based on historic default and type of debt have proved resilient in the past and are	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	Not applicable				
MRP	Spreadsheets	Spreadsheet rolled forward each year (working paper F7) and updated. This is measured against existing outstanding debt and CFR	No	Council uses Asset Life Method as it's chosen MRP calculation method. Initial assumption as to life of assets made at the time of purchase/development against which loan repayable. Alternative MRP calculation methods would still have uncertainty of estimated useful life at outset	No

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Report title	Accounting Policies 2023/24
Report author	Paul French – Corporate Head of Finance
Department	Financial Services
Exempt?	No
Exemption type	not applicable
Reasons for exemption	not applicable

Purpose of report:

To resolve

Synopsis of report:

This report summarises the changes to the accounting policies adopted by the Council to ensure the accounts for 2023/24 are prepared in accordance with accounting regulations.

Members are asked to approve these changes which will be reflected in the published statement of accounts.

Recommendation that:

The Council's accounting policies for the financial year 2023/24, as set out in Appendix A, be approved

1. Context and background of report

1.1 The Council's accounting policies are the specific rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These accounting policies must be disclosed as a note to the annual accounts.

1.2 In previous years, the Council's accounting policies have only been presented to Members for approval when there have been proposed changes. However, best practice suggests that these should be approved annually, regardless of whether there are any changes or not.

1.3 CIPFA also recommends that Members review accounting policies on an annual basis.

2. Report and, where applicable, options considered and recommended

2.1 The Code of Practice for Local Authority Accounting 2023/24 (The Code) defines accounting policies as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements".

2.2 The 2023/24 Code has adopted changes made to International Accounting Standard 1: Presentation of Financial Statements (IAS 1) relating to the disclosure of accounting policies. Previously, local authorities were required to provide a summary of significant accounting policies. However, there was no explanation in IAS 1 of what would make an accounting policy “significant”, with the result that too many entities were providing too much information or not tailoring it sufficiently to the needs of users.

2.3 The IAS 1 amendments switch the focus to materiality and require the disclosure of “material” accounting policy information. The main practical outcome of the changes is that immaterial policies should now be excluded from the statement of accounts. This change should make a positive contribution to users’ understanding of the financial statements.

2.4 The Code states that accounting policy information is material if, when considered together with other information included in an authority’s financial statements, it can reasonably be expected to influence decisions that the users of local authority financial statements make on the basis of those financial statements.

2.5 As with all application of materiality, accounting policy information will be material based on the Council’s own needs so accounting policy information is anticipated to be material if users of our accounts would need that policy to be explained in order to understand material information in the financial statements.

2.6 The Code encourages local authorities to produce accounting policy information which concentrates on how a local authority has applied the accounting policies in the Code or International Financial Reporting Standard (IFRS) to its individual circumstances and provide information that is specific to them by making it clear that this is more useful to the users of the financial statements than boilerplate or standardised information that duplicates or summarises the Code and specific IFRS.

<u>Changes in Accounting Policies</u>

2.7 The application of most accounting policies is applied consistently from year to year. Changes are required when new accounting regulations are introduced or updated or if there is a significant change within the financial activities of the Council.

2.8 There are no changes to Runnymede’s accounting policies for the 2023/24 accounts. However, the accounting policy note for the Statement of Accounts has been amended and shortened to reflect the new materiality concept discussed above. These are set out at Appendix A. For comparative purposes, the current version of the full set of approved accounting policies is set out in Appendix B.

2.9 Whilst there are no policy changes for 2023/24, there will be changes brought forward later this year for approval for the 2024/25 accounts following the introduction of International Financial Reporting Standard 16: Leases (IFRS16) which specifies how to account for, recognise, measure, present and disclose leases. Officers are working to identify all leased assets and will agree the proposed accounting treatment with Grant Thornton prior to the 2024/25 closedown.

2.10 The audited Statement of Accounts for 2023/24 are expected to be presented to the September 2024 Standards & Audit Committee for approval. The accounting policies will be included within the notes to the accounts and any changes made during the closedown programme and/or audit will be highlighted and explained by officers. Should there need to make changes to these policies following the completion of the audit, a report will be submitted to this committee to explain the changes.

3. Policy framework implications

3.1 None identified

4. Resource implications/Value for Money

4.1 There are no direct financial implications arising from the publication or approval of accounting policies. There are no material changes to policy that impact upon the Council's financial position.

5. Legal implications

5.1 There are no legal implications associated with this report.

6. Equality implications

6.1 None identified.

7. Environmental/Sustainability/Biodiversity implications

7.1 None identified.

8. Risk Implications

8.1 None identified.

9. Other implications

9.1 None identified.

10. Timetable for Implementation

10.1 Not applicable

11. Conclusions

11.1 This report brings members up to speed on the need for accounting policies and sets out the policies used in the preparation of the 2023/24 accounts.

11.2 In order to adhere to best practice it is the intention to bring updated accounting policies to this Committee each year in March for Members to consider prior to the accounts' closedown process.

12. Background papers

- The Code of Practice for Local Authority Accounting 2023/24

13. Appendices

- Appendix A - Runnymede’s Accounting Policies 2023/24
- Appendix B - Runnymede's Accounting Policies Full Set

1 Principal accounting polices

1.1 General principles

The Accounts and Audit Regulations 2015 require the Council to prepare an annual statement of accounts in accordance with proper accounting practices. For 2023/24, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis	
Property, Plant and Equipment: Dwellings	Current value - comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.	
Property, Plant and Equipment: Other Land and Buildings	Current value - comprising existing use value. Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.	
Property, Plant and Equipment: Surplus Assets	Fair value - the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date	
Investment Properties	Fair value – as above	
Financial Instruments – Fair Value through Profit or Loss	Fair value – as above	
Pension Assets	Fair value –	
	Quoted securities	Current bid price
	Unquoted securities	Professional estimate
	Unitised securities	Current bid price
	Property	Market value

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Where relevant, the Statement of Accounts has been adjusted to reflect events after 31 March 2024 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

1.2 Income and expenditure recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement (CIES), adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in the year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in the year or were received in the year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in the year Losses on soft loans granted in the year and interest receivable in the year on an amortised cost basis	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs Interest due to be received on soft loans in the year	Financial Instruments Adjustment Account
Pooled Investments	Movements in the fair value of pooled investment funds	Historical cost gains/losses for money market fund investments disposed of in the year	Pooled Investment Funds Adjustment Account
Expense	**Accounting Basis in CIES**	**Funding Basis in MiRS**	**Adjustment Account**
Pensions Costs	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the Council to pensioners for the year	Pensions Reserve
Council Tax	Accrued income from current year bills	Demand on the Collection Fund for current year plus recovery of share of estimated deficit/ surplus for previous year	Collection Fund Adjustment Account

Business Rates	Accrued income from current year bills	Budgeted income receivable from the Collection Fund for the current year plus recovery of share of estimated deficit/ surplus for previous year	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March	No charge	Accumulated Absences Adjustment Account

1.4 Council Tax and Non Domestic Rates (NDR)

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

1.5 Employee benefits

Employees of the Council can be members of the Local Government Pensions Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council.

The Local Government Scheme is accounted for as a defined benefit scheme, The liabilities of the Surrey Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees etc,.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service segments;
- Net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent not accounted for as an expense.

Termination benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Final-year pension enhancements
The Council has an obligation to pay the pension of certain former staff that received a final-year salary enhancement. This enhancement increased their pension but does not form part of the Local Government Pension Scheme. The valuation of the estimated pension liabilities is made in the same manner as for pensions under the Local Government Pension Scheme.

The statutory accounting arrangements for these local pensions are different to those for the Local Government Pension Scheme. Therefore, changes in pension liabilities in respect of the local scheme are recognised directly in the General Fund.

1.6 Fair value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.7 Financial instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

Financial liabilities
Financial liabilities are subsequently measured at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets which are measured as either:

- Amortised cost - assets whose contractual terms are basic lending arrangements (ie, they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Where there is no fixed life of the loan, an estimate of the life of the loan is made. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at an effective rate of interest that recognises the commercial rate that would apply on an equivalent loan, less the rate actually receivable on the loan, to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable in the year. The reconciliation of the amounts in the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the Movement in Reserves Statement.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 months of expected losses.

The Council has some loans to local organisations. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It will therefore assess losses for the portfolio on a collective basis.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

1.8 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with any conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

1.9 Intangible assets

The Council recognises intangible assets for purchased computer software systems and licences only. Intangible assets are measured initially at cost. Capitalised software costs include external direct costs of material and services associated with the project. The amounts are not revalued but are carried at amortised cost. The depreciable amount of the intangible asset is amortised over its useful life (usually the lives of the individual contracts with the relevant computer suppliers) on a straight-line basis to the relevant service lines in the CIES.

1.10 Interests in companies and other entities

Group accounts are prepared for the Council and its interest in its subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests is carried out in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any impairment gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.11 Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income and expenditure line and result in a gain to the General Fund balance

1.12 Leases

Leases are treated as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are treated as operating leases. Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy when fulfilment of the arrangement is dependent on the use of specific assets.

Council as lessee
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.
Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated total useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased item of property, plant and equipment. Charges are made on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable (on an accruals basis).

Council as lessor
Where the Council grants an operating lease over a property, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement for non-investment property assets, and to the Financing and Investment Income and Expenditure line for income from leases of investment properties.

1.13 Property, plant and equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administration purposes on a continuing basis are classified as property, plant and equipment. For accounting purposes, the Council has an individual de-minimis level of £10,000 for capitalising assets, however groups of smaller similarly classed assets, such as computer laptops which are brought in bulk, can be grouped together and included.

Recognition
Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the balance sheet using the following measurement basis:

- Infrastructure assets and community assets and assets under construction - depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) as provided for in government guidance.
- Surplus assets – current value which is fair value estimated at highest and best use from a market participant's perspective, and
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets are included in the balance sheet at current value and are formally revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum as part of a four-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset (or that part in excess of the balance in the Revaluation Reserve) is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified, it is accounted for in the same way as for a revaluation loss.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Depreciation</u>
Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinate finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the charge for depreciation is prepared in accordance with “Stock Valuation for Resource Accounting: Guidance for Valuers 2016” published by the government in November 2016. Under this guidance, the major repairs allowance charge to the Housing Revenue account is used as a proxy for component accounting and depreciation.
- Other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the estimated useful life of the asset

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Componentisation
Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately. For the purpose of assessing whether a component is significant, our policy is that the cost of a component must normally be greater than £50,000 and be greater than 20% of the cost of the asset. In addition, the component must have a useful life (for depreciation purposes) that is significantly different from that of the main structure.

Disposals and non-current assets held for sale
Assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as Assets Held for Sale. Management must be committed to the sale within one year from the date of classification and the sale must be highly probable. Depreciation is not charged on assets held for sale. Assets that the Council intends to sell at some point, but which do not meet the criteria are treated as surplus assets.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on the disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale - adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as assets held for sale - and the recoverable amount at the date of the decision not to sell.

Receipts from disposals in excess of £10,000 are categorised as capital receipts. The net loss or gain on disposal is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

A pre-determined proportion of receipts relating to housing right-to-buy sales are payable to the government with the balance split in accordance with a government formula to repay HRA loans or to fund the reprovision of additional social housing. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

1.14 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1.15 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service account in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.1 General principles

The Accounts and Audit Regulations 2015 require the Council to prepare an annual statement of accounts in accordance with proper accounting practices. These proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Dwellings	Current value - comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value - comprising existing use value. Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value - the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
Investment Properties	Fair value – as above
Financial Instruments – Fair Value through Profit or Loss	Fair value – as above
Pension Assets	Fair value – Quoted securities: Current bid price Unquoted securities: Professional estimate Unitised securities: Current bid price Property: Market value

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Where relevant, the Statement of Accounts has been adjusted to reflect events after 31 March and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

1.2 Income and expenditure recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement (CIES), adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in the year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in the year or were received in the year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in the year Losses on soft loans granted in the year and interest receivable in the year on an amortised cost basis	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs Interest due to be received on soft loans in the year	Financial Instruments Adjustment Account
Pooled Investments	Movements in the fair value of pooled investment funds	Historical cost gains/losses for money market fund investments disposed of in the year	Pooled Investment Funds Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the Council to pensioners for the year	Pensions Reserve
Council Tax	Accrued income from current year bills	Demand on the Collection Fund for current year plus recovery of share of estimated deficit/ surplus for previous year	Collection Fund Adjustment Account

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Business Rates	Accrued income from current year bills	Budgeted income receivable from the Collection Fund for the current year plus recovery of share of estimated deficit/ surplus for previous year	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March	No charge	Accumulated Absences Adjustment Account

1.4 Cash and cash equivalents

Cash comprises of cash in hand and deposits at financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that mature in 7 days or less from the date of acquisition, or repayable without penalty on notice of not more than 7 days, and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.5 Charges to revenue for non-current assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This contribution is known as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent assets are not recognised in the balance sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.7 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet, but are disclosed in a note to the accounts.

1.8 Council Tax and Non Domestic Rates (NDR)

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR
The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired (i.e. a potential bad debt), the asset is written down and a charge made to the Taxation and Non-Specific Grant line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.9 Employee benefits

Benefits payable during employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits
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Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits
Employees of the Council can be members of the Local Government Pensions Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme, The liabilities of the Surrey Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees etc,.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond.

The assets of the Surrey Pension fund attributable to Runnymede Borough Council are included in the Balance Sheet at their fair value as set out in the following table:

Asset class	Valuation method used
Quoted securities	Current bid price
Unquoted securities	Professional estimate
Unitised securities	Current bid price
Property	Market value

The change in the net pensions liability is analysed into the following components:

<u>Service cost comprising</u>:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service segments; net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

<u>Re-measurements comprising</u>:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are appropriations to and from the pensions reserve to remove the accounting debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision of the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Final-year pension enhancements
The Council has an obligation to pay the pension of certain former staff that received a final-year salary enhancement. This enhancement increased their pension but does not form part of the Local Government Pension Scheme. The valuation of the estimated pension liabilities is made in the same manner as for pensions under the Local Government Pension Scheme.

The statutory accounting arrangements for these local pensions are different to those for the Local Government Pension Scheme. Therefore, changes in pension liabilities in respect of the local scheme are recognised directly in the General Fund.

1.10 Exceptional items, prior period adjustments, Changes in Accounting Policies and Estimates and Errors

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior period adjustments may arise as the result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.11 Financial instruments

Financial liabilities
Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument. Initially these are measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets which are measured as either:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Where there is no fixed life of the loan, an estimate of the life of the loan is made. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at an effective rate of interest that recognises the commercial rate that would apply on an equivalent loan, less the rate actually receivable on the loan, to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable in the year. The reconciliation of the amounts in the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the Movement in Reserves Statement.

Any gains and losses that arise following the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial assets measured at fair value through profit and loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of financial assets are based on the following techniques:

- Instruments with quoted market prices – the market place
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 months of expected losses.

The Council has some loans to local organisations. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It will therefore assess losses for the portfolio on a collective basis.

1.12 Foreign currency

When the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable at the date the transaction was effective. Where amounts in a foreign currency are outstanding at the year end, they are converted at the exchange rate at 31 March. Resulting gains o losses are recognised in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

1.13 Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the monies will be received

Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the capital grant or contribution has been received and no conditions remain outstanding at the balance sheet date and it has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Where a capital grant or contribution has been received and the conditions remain outstanding at the balance sheet date, the grant or contribution is held in the capital grants receipts in advance account.

1.14 Heritage assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Where the cost of obtaining valuation information is not commensurate with the benefits, the Council will not recognise these assets in the Balance Sheet.

<u>Museum exhibits</u>

The Council's heritage assets are predominantly the museum exhibits that are held at the Chertsey Museum. The museum collections include local archaeology and the history of Chertsey Abbey, fine and decorative art, social history items, a large collection of documents and photographs. The council maintains an inventory of this collection and those items not being displayed can be seen by prior appointment.

There is no readily available valuation held by the council for the museum exhibits. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the council has not recognised these items on the balance sheet.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation if the value is over £5,000.

The Council's policy is not to charge depreciation on heritage assets where it believes any such assets have a useful life of such length that any depreciation charge would be negligible and can be ignored on the basis of materiality.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

Disposals of any heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

1.15 Intangible assets

The Council recognises intangible assets for purchased computer software systems and licences only. Expenditure on computer software that is not an integral part of a related item of computer hardware is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Capitalised software costs include external direct costs of material and services associated with the project. The amounts are not revalued but are carried at amortised cost. The depreciable amount of the intangible asset is amortised over its useful life (usually the lives of the individual contracts with the relevant computer suppliers) on a straight-line basis to the relevant service lines in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the relevant service lines in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal losses are not permitted to have an impact on the General Fund balance. The losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.16 Interests in companies and other entities

Group accounts are prepared for the Council and its interest in its subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests is carried out in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any impairment gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.17 Inventories and long term contracts

Inventories are stated at cost price. Although this does not comply with the code, which states that stock should be valued at the lower of cost or net realisable value, the sums held as inventories is not significant and the differences between cost and net realisable value are not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.18 Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income and expenditure line and result in a gain to the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.19 Leases

Leases are treated as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are treated as operating leases. Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy when fulfilment of the arrangement is dependent on the use of specific assets.

<u>Finance leases (council as lessee)</u>
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.
Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated total useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating leases (council as lessee)</u>
Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased item of property, plant and equipment. Charges are made on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable (on an accruals basis).

<u>Finance leases (council as lessor)</u>
The Council currently grants no leases of property, plant and equipment that count as finance leases.

<u>Operating leases (council as lessor)</u>
Where the Council grants an operating lease over a property, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and

expenditure statement for non-investment property assets, and to the Financing and Investment Income and Expenditure line for income from leases of investment properties.

1.20 Overheads and support services

The cost of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Accounting Code of Practice (SerCOP)*.

1.21 Property, plant and equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administration purposes on a continuing basis are classified as property, plant and equipment. For accounting purposes, the Council has an individual de-minimis level of £10,000 for capitalising assets, however groups of smaller similarly classed assets, such as computer laptops which are brought in bulk, can be grouped together and included.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) charged as an expense when it is incurred.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the balance sheet using the following measurement basis:

- Infrastructure assets and community assets and assets under construction - depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) as provided for in government guidance.
- Surplus assets – current value which is fair value estimated at highest and best use from a market participant's perspective, and
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets are included in the balance sheet at current value and are formally revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum as part of a four-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset (or that part in excess of the balance in the Revaluation Reserve) is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified, it is accounted for in the same way as for a revaluation loss.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinate finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings – the charge for depreciation is prepared in accordance with "Stock Valuation for Resource Accounting: Guidance for Valuers 2016" published by the government in November 2016. Under this guidance, the major repairs allowance charge to the Housing Revenue account is used as a proxy for component accounting and depreciation.
- Other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the estimated useful life of the asset

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Componentisation

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately. For the purpose of assessing whether a component is significant, our policy is that the cost of a component must normally be greater than £50,000 and be greater than 20% of the cost of the asset. In addition, the component must have a useful life (for depreciation purposes) that is significantly different from that of the main structure.

Disposals and non-current assets held for sale

Assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as Assets Held for Sale. Management must be committed to the sale within one year from the date of classification and the sale must be highly probable. Depreciation is not charged on assets held for sale. Assets that the Council intends to sell at some point, but which do not meet the criteria are treated as surplus assets.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on the disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale - adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as assets held for sale - and the recoverable amount at the date of the decision not to sell.

Receipts from disposals in excess of £10,000 are categorised as capital receipts. The net loss or gain on disposal is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

A pre-determined proportion of receipts relating to housing right-to-buy sales are payable to the government with the balance split in accordance with a government formula to repay HRA loans or to fund the reprovision of additional social housing. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

1.22 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1.23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and employment and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the statements.

1.24 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service account in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.25 Valuations – fair value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.26 Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income. The net amount due to or from HM Revenue and Customs is included in the balance sheet as part of debtors or creditors.

Report title	**Q4 2023/24 Corporate Risk Profile and report**
Report author	Sarah Hall, Head of Business Planning, Projects and Performance.
Department	Chief Executive's Office
Exempt?	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

- **For information**

Synopsis of report:

The risk management framework and system have been thoroughly reviewed and updated. This report presents an update on risks for the organisation in accordance with new procedures which have been adopted.

1. Context and background of report

1.1 In line with the Annual Governance Statement action plan for 2023/24, the risk management framework and system have been thoroughly reviewed and updated. A series of reports were presented during 2023/24 to this Committee and onwards to Full Council as necessary, to seek approval for the risk management framework, risk appetite statements and, in January 2024, the proposed risk reporting mechanism. This concluded the review period and the updated risk management processes and procedures are now considered core activity for all service areas and risk owners.

2. Report

1.2 As part of the wider approach to corporate performance, the Project Management Office has developed a single database of risks identified from across the organisation to form the risk management system. This has replaced separate documents for each risk register (corporate risk register, service risk register, project risk registers, contract risk registers) and permits a significant improvement in dynamic risk management, analytical capability and reporting of risk.

1.3 Since the last presentation of the proposed risk reporting format in January 2024, service areas and risk owners have reviewed their risk registers and updated as appropriate.

1.4 An internal audit of risk management has also been conducted and the draft report issued for management response. The risk dashboard previously presented at this Committee was shared with the internal auditors.

1.5 Entries from the National Risk Register (NRR), published by the government in Aug 2023[1] were incorporated as part of the overall risk management system to ensure these risks were captured and considered at the local level for emergency planning purposes. This source provides the government's assessment of the most serious risks facing the UK that would have a substantial impact on the UK's safety, security and/or critical systems at a national level. For these specific risks, risk scores pre-mitigation reflect the national-level risk scores assigned to the risk by Central Government. Risk scores post-mitigation should reflect specifically the Borough's local landscape for the risk.

1.6 One of the recommendations from internal audit is to further filter the risk data to exclude the National Risk Register entries from the Corporate Risk Register as these entries were artificially skewing the number of risks above the threshold.

1.7 Therefore the dashboard shown at Appendix A shows the Council's risk profile excluding NRR entries. Relevant NRR entries are now shown separately on page 4 of the dashboard at Appendix A and are not included in the overall risk numbers presented in this report.

1.8 The Council has currently identified a total of 268 risks (excluding 21 NRR entries) from service, project and contract risk assessments which have been categorised against the thirteen risk categories. Risks have been reviewed by Risk Owners during March and scores revised where necessary. New risks may have been added as a result of this review. In addition, risks identified as part of the Non-Statutory Best Value Notice response programme have been added to the risk management system as project risks.

1.9 The risk score is calculated by assessing both the likelihood and impact of the risk if it were to occur without and with mitigation using a scale from 1 to 5. Multiplying the likelihood by the impact gives the overall risk score and is therefore between 1 – 25.

1.10 The post-mitigation risk score is used to identify those risks above the threshold (>10 risk score, thick black line in the diagram below) that are escalated to the Corporate Leadership Team (CLT) for consideration of inclusion on the corporate risk register. 'Significant' risks are defined as those risks that score above 15 post-mitigation (highlighted red in the diagram below).

[1] 2023_NATIONAL_RISK_REGISTER_NRR.pdf (publishing.service.gov.uk)

LIKELIHOOD (A)					
Certain 5	5	10	15	20	25
Probable 4	4	8	12	16	20
Possible 3	3	6	9	12	15
Unlikely 2	2	4	6	8	10
Highly unlikely 1	1	2	3	4	5
	Negligible 1	Small 2	Noticeable 3	Serious + Significant 4	Critical + Considerabl 5
	IMPACT (B)				

Likelihood of Occurrence (A)	Severity of Impact (B)
1 – Highly unlikely to happen	1 – Negligible impact
2 – Unlikely to happen	2 – Only a small effect
3 – Possibly will happen	3 – Noticeable effect
4 – Probably will happen	4 – Serious problem with significant impact
5 – Certain to happen	5 – Critical issue and considerable impact

1.11 Excluding NRR entries, 58 risks identified (22%) score above the threshold post-mitigation (>10), of which 18 are 'significant' risks, scoring above 15 (7%). Page 2 of Appendix A lists the 18 'significant' risks from across the organisation. The distribution of risks above the threshold per risk category is shown in the table below.

		No. of risks scored (post-mitigation) above the threshold (>10)							
Risk Category	**Grand Total below the threshold (<10)**	**10**	**12**	**15**	**16**	**20**	**25**	**Grand Total >10**	**Grand Total >15**
Operations	56	3	7	-	1	1	-	12	2
Financial	33	-	11	3	3	2	-	19	8
Property	20	-	3	1	3	-	-	7	4
People	29	-	2	-	-	-	-	2	-
Legal	4	1	2	1	-	-	-	4	1
Strategic	10	-	5	-	-	-	-	5	-
Security	3	-	-	-	1	-	-	1	1
Data and Information Mgmt	9	-	3	-	-	-	-	3	-
Reputational	15	-	1	-	1	-	-	2	1
Governance	13	-	2	-	-	-	-	2	-
Technology	11	-	-	-	-	-	-	-	-
Commercial	6	-	-	-	1	-	-	1	1
Project/ Programme	1	-	-	-	-	-	-	-	-
Grand Total = 268	**210**	**4**	**36**	**5**	**10**	**3**	**0**	**58**	**18**

1.12 Operational and Financial risks are the most commonly attributed risks, accounting for 45% of total risks identified, and 54% of risks scoring above the threshold post-mitigation.

Risk Category	TOTAL no. of risks in category	% of risks in category scoring >10	% of total no. of risks in category	% of >10 risks in category as total of all >10 risks
Operations	68	18%	25%	21%
Financial	52	37%	19%	33%
Property	27	26%	10%	12%
People	31	6%	12%	3%
Legal	8	50%	3%	7%
Strategic	15	33%	6%	9%
Security	4	25%	1%	2%
Data and Information Mgmt	12	25%	4%	5%
Reputational	17	12%	6%	3%
Governance	15	13%	6%	3%
Technology	11	0%	4%	0%
Commercial	7	14%	3%	2%
Project/ Programme	1	0%	0%	0%
Grand Total	**268**			

1.13 As per the risk management framework, risks with post-mitigation risk scores above the threshold are escalated for review by CLT for inclusion in the Corporate Risk Register. Below is the profile of risks that make up the Corporate Risk Register (excluding NRR entries) as at 26 March 2024. Appendix A page 3 shows the risk records that form the Corporate Risk Register, sorted by post-mitigation risk score (high to low).

Corporate Risk Register Entries	**Risk Score (post-mitigation)**				
Risk Category	**12**	**15**	**16**	**20**	**Grand Total**
Financial	5	1	2	1	9
Property	-	1	3	-	4
Strategic	2	-	-	-	2
Operations	2	-	-	-	2
Reputational	-	-	1	-	1
Data and Information Mgmt	1	-	-	-	1
Legal	1	-	-	-	1
People	1	-	-	-	1
Governance	1	-	-	-	1
Grand Total	**13**	**2**	**6**	**1**	**22**

1.14 Risk trend is calculated by the movement in post-mitigation risk score since the last snapshot extract was taken in December 2023. Seven risks have an upwards change in risk score post-mitigation, four of these remain above the threshold. Nineteen risks have a downwards change in risk score post-mitigation, two of which remain above the threshold. These are seen on page 1 of Appendix A, below the summary analytics.

3. Policy framework implications

3.1 Regular reporting of risk to this Committee is part of the Council's approved Risk Management framework.

3.2 Managing risk supports delivery of the Corporate Business Plan 2022-2026 as follows:

Corporate Business Plan achievement

- Increased probability of achieving strategic objectives: through minimising or removing key obstacles.

Organisational Development

- Improved awareness of risk: the Council can become less risk averse if risks are identified, assessed and mitigated.
- Improved corporate governance: through stronger, more transparent, evidence-based decision making, accountability and prioritisation.
- Safeguard the organisation and provide assurance to all stakeholders such as elected members and residents.

3.3 Risk management is an integral part of corporate governance and is a principle in the Local Code of Corporate Governance (Principle F: Managing Risk).

4.1 Resource implications

4.1 Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

5. Legal implications

5.1 The Council has a legal duty to have risk management arrangements in place, as stated in the Accounts & Audit Regulations 2015 (Part 2: Internal control Responsibility for internal control):

"A relevant body must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.

(b) ensures that the financial and operational management of the authority is effective.

(c) includes effective arrangements for the management of risk."

6. Equality implications

6.1 None arising directly from this report.

7. Environmental/Sustainability/Biodiversity implications

7.1 None arising directly from this report.

8. Risk implications

8.1 Failure to regularly review and report risk could have an adverse impact on the Council's achievement of corporate and strategic objectives.

8.2 Failure to regularly review and report risk could have an adverse impact on the Annual Governance Statement.

9. Timetable

9.1 Risk reporting to this Committee will be on a six-monthly basis. It is proposed that these reports will be presented in Q1 and Q3 annually.

10. Conclusions

10.1 This report completes the overhaul of the risk management system including formalising the risk management framework, setting risk appetite for 2024/25 and agreeing the format for regular 6-monthly reporting to this Committee. The Committee is asked to consider and agree the format of the Risk dashboard for future reporting of risk.

10.2 It should be noted that the risk scores shown in the sample dashboard are not final scores and therefore may not be representative of the level of risk currently being faced by the Council, as final, post-mitigation scoring is to be completed before the first formal reporting of the Risk dashboard to Members.

10.3 The dashboard, once fully operational, should provide greater transparency on the key risks facing the Council, and the measures in place to mitigate those risk, and will sit alongside the other governance functions of this Committee in supporting delivery of the Council's Local Code of Corporate Governance.

11. **Background papers**

- None Stated.

12. Appendices

- Appendix A: Risk dashboard for Quarter 4 2023/24

Runnymede Borough Council Risk Dashboard

Runnymede BOROUGH COUNCIL

Total Active Risks

268

Total Risks Above Threshold (10> Post Mitigation)

58

Total Risks Trending Up (All Scores)

7

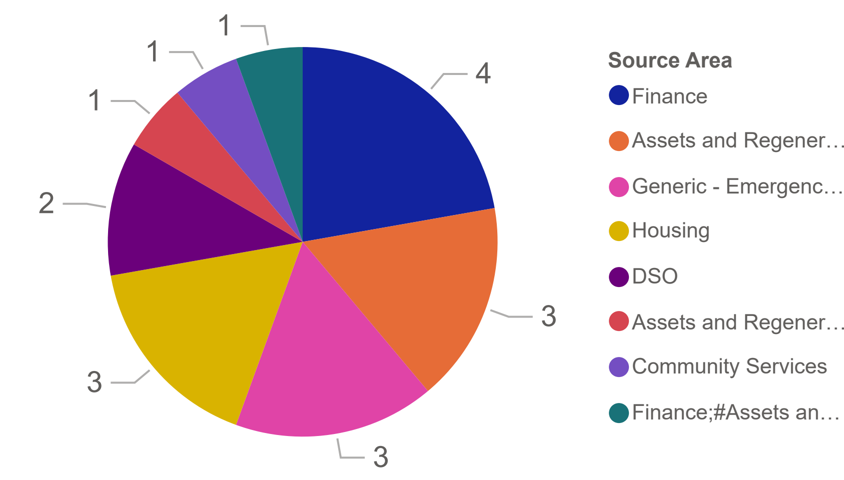
Total Significant Risks (15> Post Mit)

18

Post Mitigation 10> Risks by Category

Risk Category	10	12	15	16	20	Total
Financial		11	3	3	2	**19**
Operations	3	7		1	1	**12**
Property		3	1	3		**7**
Strategic		5				**5**
Legal	1	2	1			**4**
Data and Information Mgmt		3				**3**
Governance		2				**2**
People		2				**2**
Reputational		1		1		**2**
Commercial				1		**1**
Security				1		**1**
Total	**4**	**36**	**5**	**10**	**3**	**58**

Post Mitigation 15> by Risk Source Area



Detailed Risks Trending Up with Post Mitigation 10>

Score	Risk Category	Risk/ Issue description	Risk Owner
16	Commercial	Housing maintenance and compliance contracts are not properly procured.	Maggie Ward
16	Operations	Reduction in the number of existing and new PRS opportunities to place households in private rented sector	Maggie Ward
12	Strategic	New development not achieved.	Maggie Ward
12	Property	Supplier - not meeting contract expectation in delivery of services	Simon Allen

Detailed Risks Trending Down with Post Mitigation 10>

Score	Risk Category	Risk/ Issue description	Risk Owner
15	Financial	Income Generation schemes fail to deliver targets	Paul French
12	Operations	Cyber Security	Linda Norman

Runnymede Borough Council Risk Dashboard

All Post Mitigation 15> Risks

Score	Risk Category	Risk/ Issue description
20	Operations	Current Business Continuity arrangements are not sufficient to deal with a severe disruptive event.
20	Financial	DLUHC impose requirement to repay % of existing loans and sell Commercial property
20	Financial	Rising costs exceeding income.
16	Security	Accelerated" threat of domestic terrorism and the risk of public disorder.
16	Financial	Borrowing ability limited by potential DLUHC sanctions
16	Property	DLUHC/ Levelling up may force a fire sale of property
16	Property	Economic pressure on maintenance of commerical property portfolio
16	Financial	Economic volatility and uncertainty
16	Reputational	External audit backlog
16	Commercial	Housing maintenance and compliance contracts are not properly procured.
16	Property	Impact of DLUHC review
16	Operations	Reduction in the number of existing and new PRS opportunities to place households in private rented sector
16	Financial	Safer Runnymede - RBC companies use alternate provision.
15	Financial	EPR (Extended producer responsibility scheme) funding deferred for a year until October 2025.
15	Property	Fire/intruder alarms - Gemini/Bold System (single point of failure)
15	Financial	Income Generation schemes fail to deliver targets
15	Financial	Reduction in funding – Street Cleansing.
15	Legal	Runnymede and LRF unprepared for a major incident within the Borough resulting in a poor response. Unable to meet requirements of the Civil Contingencies Act.

Runnymede Borough Council Risk Dashboard

CRR Post Mitigation 10> Risks

Score	Risk Category	Risk/ Issue description
20	Financial	DLUHC impose requirement to repay % of existing loans and sell Commercial property
16	Financial	Borrowing ability limited by potential DLUHC sanctions
16	Property	DLUHC/ Levelling up may force a fire sale of property
16	Property	Economic pressure on maintenance of commerical property portfolio
16	Financial	Economic volatility and uncertainty
16	Reputational	External audit backlog
16	Property	Impact of DLUHC review
15	Property	Fire/intruder alarms - Gemini/Bold System (single point of failure)
15	Financial	Income Generation schemes fail to deliver targets
12	Financial	Achieve Lifestyle financial viability and lease position
12	Financial	Changes to funding distribution methodologies
12	Operations	Cyber Security
12	Financial	Equal pay claims
12	Financial	Financial pressures arising from government legislation or policy (incl. change of government)
12	Operations	Insufficient reserves to fund refurbishments, bad debts and incentives
12	Strategic	More frequent and extreme weather events due to global warming Also see NRR048 Storms NRR049 Heatwaves.
12	Strategic	Net zero target is not achievable for operational building portfolio
12	Legal	Safeguarding or exploitation concern raised about a child or vulnerable adult for whom the Council has provided a service.
12	Data and Information Mgmt	Serious data protection breach attributable to RBC error.
12	People	There is a death or serious injury on a council run premises or involving a council operated vehicle
12	Financial	Tightening of capital framework (MRP guidance, investment moratorium, prudential code, treasury mgmt, Levelling Up Act)
12	Governance	Unable to satisfy DLUHC with response to non-statutory Best Value Notice

Runnymede Borough Council Risk Dashboard

NRR Post Mitigation 10> Risks

Score	Risk Category	Risk/ Issue description
20	Operations	Pandemic
16	Security	Conventional attacks on infrastructure
16	Operations	Outbreak of an emerging infectious disease
16	Operations	Severe space weather
15	Operations	Failure of the National Electricity Transmission System (NETS)
15	Operations	Larger-scale CBRN attacks
12	Operations	Cyber attacks on infrastructure
12	Operations	Deliberate disruption of UK space systems and space-based services
12	Operations	High temperatures and heatwaves
12	Operations	Low temperatures and snow
12	Operations	Nuclear miscalculation not involving the UK
12	Operations	Storms
12	Operations	Terrorist attacks on transport

Risk Scoring Matrix

LIKELIHOOD (A)						
	Certain 5	5	**10**	**15**	**20**	**25**
	Probable 4	4	8	**12**	**16**	**20**
	Possible 3	3	6	9	**12**	**15**
	Unlikely 2	2	4	6	8	**10**
	Highly unlikely 1	1	2	3	4	5
		Negligible 1	**Small** 2	**Noticeable** 3	**Serious + Significant** 4	**Critical + Considerabl** 5
		IMPACT (B)				

Likelihood of Occurrence (A)
1 – Highly unlikely to happen
2 – Unlikely to happen
3 – Possibly will happen
4 – Probably will happen
5 – Certain to happen

Severity of Impact (B)
1 – Negligible impact
2 – Only a small effect
3 – Noticeable effect
4 – Serious problem with significant impact
5 – Critical issue and considerable impact

Report title	**Response to 2019 LGA Corporate Peer Challenge**
Report author	Sarah Hall, Head of Business Planning, Projects and Performance
Department	CEX Office
Exempt?	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

- **For information**

Synopsis of report:

In October 2019, the LGA conducted a Corporate Peer Challenge (CPC) of the Council. The report and recommendations were presented to Corporate Management Committee in December 2019 along with an action plan for implementation during 2020/21. Whilst the action plan was not formally closed due to the coronavirus pandemic response and subsequent recovery, continuous improvement since the 2019 LGA CPC can demonstrate progress and achievement against the plan.

This report presents an updated response to the 2019 action plan to assure Members that areas of improvement identified in the 2019 CPC have been acted upon as part of organisational continuous improvement.

This report also informs Members of the intention to host an LGA CPC during 2024 which will also support the Council's response to the Non-Statutory Best Value Notice.

1. Context and background of report

1.1 The Local Government Association (LGA) offers to support sector led improvements by offering each council a Corporate Peer Challenge (CPC) every four-five years. Peer Challenges provide a 'practitioner perspective' and 'critical friend' challenge (at no cost other than hosting requirements) at a time of its choosing and focusing on local needs and specific requirements.

1.2 The Council last hosted a Corporate Peer Challenge with an on-site visit in October 2019. The report and recommendations were presented to Corporate Management

Committee in December 2019. The action plan was considered and approved for implementation as part of the Corporate Action Plan to be delivered in 2020/21.

1.3 Delivery of the Corporate Action Plan in 2020/21 was severely impacted by the coronavirus pandemic and the requirement to reprioritise resources to react to the situation faced and support our prolonged emergency response and recovery phase. As a result, the 2019 CPC action plan was never brought back to Committee to formally close out.

1.4 This report presents a retrospective update against the 2019 CPC action plan to provide assurance that action has been taken as part of continuous improvement.

2. Report

1.5 In 2019, the 5 themes that were assessed as part of the LGA CPC were:

i. Understanding of the local place and priority setting: Does the Council understand its local context and place and use that to inform a clear vision and set of priorities?

ii. Leadership of Place: Does the Council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

iii. Financial planning and viability: Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

iv. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

v. Capacity to deliver: Is organisational capacity aligned with priorities and does the Council influence, enable and leverage external capacity to focus on agreed outcomes?

1.6 There was a total of 33 recommendations made in the LGA CPC final report. An action plan/ response to the recommendations were given in Appendix C of the CMC December 2019 report. The intention at that time was to add the activities identified in response to the CPC recommendations to relevant Service Area Plans for delivery during 2020/21.

1.7 The first case of coronavirus CV-19 was identified in November 2019. The World Health Organization declared the CV-19 outbreak a Public Health Emergency of International Concern on 30 January 2020, and a pandemic on 11 March 2020. Therefore 2020/21 and 2021/22 were by no means 'normal' years and the Council operated without an updated Corporate Business Plan from 2020 - 2022. Service Area Plans and delivery of planned activity were put on hold to divert significant resources to support the emergency response and subsequent recovery. This impacted the delivery of the CPC action plan.

1.8 Due to the pandemic and recovery period, the 2019 LGA CPC was not formally concluded with a follow up on-site visit to assess the impact of the peer challenge and progress made against the areas of improvement and development identified by the peer team.

1.9 However, since December 2019, ongoing continuous improvement across the organisation demonstrates delivery of the recommendations as detailed in Appendix A. This appendix provides a retrospective update against each of the recommendations resulting from the 2019 LGA CPC demonstrating the progress and improvement made. Committee is asked to note this update against the action plan.

1.10 The Council received a non-statutory Best Value Notice (N-S BVN) from the Department for Levelling Up, Housing and Communities (DLUHC) on 19 December 2023. The Council is expected to commission an external governance review which aims to provide more in-depth assurance on governance and leadership structures in line with Best Value principles, including a review of:

- The effectiveness and efficiency of internal decision-making and scrutiny processes
- Culture and leadership, including the Authority's sense of strategic vision and direction, effectiveness of leadership, and attitudes and behaviours towards positive and open relationships.
- Capacity and capability, including evidence of continuous improvement.
- Delivery of services.

1.11 The LGA provides each Council with the opportunity of a CPC every 4-5 years. Therefore, it is timely that the Council hosts a CPC during 2024 as per the LGA's timeline and this will also support the requirement for an external governance review in response to the N-S BVN. This is a workstream within the N-S BVN response programme and the onsite visit is expected to be held during Autumn 2024. Workstreams currently underway within the programme will support the LGA CPC process including the self-assessment against the Best Value guidance and the assessment of organisational culture.

3. Policy framework implications

1.12 The 2019 LGA CPC was assessed against the previous Corporate Business Plan (CBP) 2016-2020 and looked to improve the organisations capability to deliver against the four Corporate Themes at that time:

- Supporting Local People
- Enhancing Our Environment
- Improving Our Economy
- Organisational Development

1.13 The recommendations identified by the 2019 LGA CPC are however equally applicable for the current CBP 2022-2026, formally adopted by Full Council in October 2022.

4. Resource implications/Value for Money

1.14 Demonstration of continuous improvement is a requirement to meet the Best Value duty.

1.15 Hosting an LGA CPC during 2024/25 was a known 'planned activity' that would have been taken forward regardless of the receipt of the N-S BVN.

1.16 A small budget has been set aside for on-site hosting requirements as part of the N-S BVN budget sum set aside after approval from Corporate Management Committee in January 2024.

5. Legal implications

5.1 The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 ("the 1999 Act") to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".

5.2 In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions. Best value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management.

5.3 Under the provisions of section 26 Local Government Act 1999 the Secretary of State can issue guidance to local authorities on the issue of best value. Following a public consultation, which ran between 4 July and 15 August 2023, the Secretary of State for Levelling Up, Housing and Communities has issued statutory guidance on best value standards and interventions under section 26 of the Local Government Act 1999 on the 8th May 2024.

5.4 A CPC forms a key part of the new improvement and assurance framework for local government and is underpinned by the principles of Sector-led Improvement (SLI) to support continuous improvement and assurance across the sector. CPC is also recognised as assisting councils to meet their Best Value duty by having one CPC at least every five years.

6. Equality implications

6.1 None identified.

7. Environmental/Sustainability/Biodiversity implications

7.1 None identified.

8. Risk Implications

8.1 It is an expectation of the LGA that actions identified as a result of a CPC are acted upon and closed out within the intervening period between visits. Therefore there is a reputational issue which can be mitigated by presenting this report to Members.

9. Other implications

9.1 Not applicable

10. Timetable for Implementation

10.1 Not applicable as this is a retrospective review of improvements made since the last CPC in 2019.

11. Conclusions

11.1 Members are asked to note the retrospective update against the 2019 CPC recommendations.

12. Background papers

- December 2019 Corporate Management Committee, agenda item 6 https://democracy.runnymede.gov.uk/CeConvert2PDF.aspx?MID=277&F=Agenda.pdf&A=1&R=0
- December 2019 Corporate management Committee minutes https://democracy.runnymede.gov.uk/CeConvert2PDF.aspx?MID=277&F=Minutes.pdf&A=1&R=0

13. Appendices

- Appendix A: 2019 CPC action plan – 2024 response

Appendix A

2019 Corporate Peer Challenge Action Plan in response to Feedback Report – Update for 2024

LGA Corporate Peer Challenge on site visit 9-11 October 2019

Action Plan

Recommendation	2019 Action/comment	2024 response
Key Recommendations		
K1: Establish a clear corporate narrative that will take you through the next 10+ years.	We will also add a longer term narrative to our next four-year Corporate Business Plan.	Due to the pandemic, the review and update of the Corporate Business Plan (CBP) was delayed and came forward for approval and adoption by Full Council in October 2022. The CBP covers the period 2022-2026 and will be reviewed at mid-point during 2024. The aim of the plan is to describe and define plans over the medium-term, in conjunction with the medium-term financial strategy. For instance, the climate change corporate strategy is for delivery over a longer period to account for the commitment for council services to be net zero by 2030.
K2: Enhance strategic capacity and place leadership.	Fit for the Future is an evolving model. Additional capacity is planned for 2020/21.	As part of business planning for 23/24 a growth request was put forward in Autumn 2022 to recruit to a new senior post of Asst Chief Executive (Place) to enhance strategic capacity and place leadership. This growth was approved in the 23/24 budget and the role was recruited to in July 2023. This post provides strategic and corporate oversight of the delivery of Housing, Environmental Services, Community Services and Planning, Economy and Built Environment. Recruitment to this role increased capacity in the Corporate Leadership Team from 3 FTE to 4 FTE.
K3: Take a broader perspective of your place shaping role to encompass physical assets; economic development; health and wellbeing; and skills.	We are confident that in drafting our next Corporate Business Plan and Economic Development Strategy there will be a better equilibrium with our ambitions between people and place.	The Corporate Business Plan 2022-2026 was developed with 5 corporate strategies that underpin the plan. This included Economic Development, Health & Wellbeing, Empowering Communities and Climate Change all of which contribute to place-shaping and health and wellbeing of our residents and visitors.
K4: Establish a better equilibrium for your ambition for people and place.		
K5: Be clear about articulating your vision, the risks associated with it, and how you are managing them.	We will continue to have a clear vision and review our risks through the Corporate Risk Register, service risk management, and our Section 25 reports.	Whilst overall responsibility for risk management lies with the Assistant Chief Executive (ACE S151), in July 2023, following the move of the management of procurement out of the Project Management Office (PMO), a systematic review of risk management was delivered by the PMO. The outcomes of the review were the formalisation of risk management in the Risk Management Framework, setting of risk appetite statements for risk categories and

		the development of risk reporting as part of the corporate performance suite of reports. The latter is now possible as a result of the development and implementation of a single database to record all risks identified across the organisation including corporate, service, project and contract risks. In line with the Annual Governance Statement action plan for 23/24, risk management across the organisation has been reviewed and an updated risk management framework adopted by Full Council to formalise the approach to identifying and mitigating risk. Regular risk reporting has been reinstated to S&A Committee for oversight. The risk management framework is aligned to risk categories as identified in the Government's Orange Book. An overarching risk appetite statement has been approved and risk appetite is set as either cautious or open for specific risk categories for 24/25. Risk appetite statements will be reviewed annually as part of the MTFS. Improved risk management including risk reporting to Standards and Audit Committee at 6-monthly intervals.
K6: Make commercialism part of the day job	A Commercialism in the Public Sector training course has already been included in the new two year Learning and Development Programme.	Commercial Awareness in the Public Sector training course delivered in Dec 2020 for all Senior Managers. Commercialism is not just income generation, but looking at how we can do things differently and more efficiently and effectively. Innovation and income generation opportunities is encouraged as part of the savings and efficiency programme. Reviewing processes and procedures to ensure they are effective and efficient is a key deliverable from the service review programme and digital transformation programme. Assessment of organisational culture is a workstream within the N-S BVN response programme and is anticipated to lead to an action plan for delivery in 2025 and 2026. This will include challenging the status quo and embracing change to deliver transformation.
Understanding of local context and priority setting		
A1: Within your refreshed, longer term narrative, make it clear what the role and responsibility of the council	Our different roles (service provider, facilitator, commissioner, influencer, and strategist) are recognised in the current CBP and will be articulated further in the next CBP.	The 2022 – 2026 Corporate Business Plan provides further clarity on the role and responsibility of the Council, which is further fleshed out within the 5 Corporate Strategies, while not specifically using the terminology and categorisation previously considered.

is and how the council will guide delivery.		
A2: With partners define the future delivery of longer-term vision and respective roles within that. RBC can be the convener and leader.	We will consider the feedback from partners as part of the Corporate Business Plan consultation programme and empower SLT to engage on an ongoing basis with their key partners.	Significant work since the last Corporate Peer Challenge (CPC) to ensure partnerships are successful and deliver benefits to Runnymede residents, businesses and visitors. Formal partnership with Surrey Heath Borough Council (SHBC) agreed and commenced in April 2021. This partnership delivers community services across both Local Authorities. Runnymede provides the overall management of the delivery model, staff were TUPE'd from SHBC. Shared risk and reward model for financial budgeting has allowed for shared efficiency gains and reduction in budget required to deliver services. Partnership arrangements also in place and have developed positively over time between colleagues in Community Services and Health. Close working proximity of the Community Services and Housing service and SCC Adult Social Service's teams fosters trust and collaboration. Runnymede is an active stakeholder for multi-agency projects and bodies. This includes active member of the River Thames Scheme protecting the interests of the Borough and local residents and Heathrow airport previously representing the Borough in the expansion project and surface rail access, subsequently taking an active role in the airport's recovery and currently its future and potential growth. The Council are active members of the Heathrow Strategic Planning Group (HSPG) where we work with other affected Local Authorities to ensure that the interests of residents are represented and recognised. We have a formal partnership in place with Royal Holloway University (RHUL) to Cooperate. We have undertaken two student placements within Planning Policy, we have also made joint bids on three funds. We are working collaboratively with RHUL to introduce and include them within the Heathrow Strategic Planning Group with a research project being undertaken. We are also working with them in ongoing discussions around active travel opportunities in and around the University Campus located in Egham.

A3: Place leadership is a fundamental corporate responsibility. This should be demonstrated and led by Senior Leadership Team.	Further strategic capacity is being considered which will benefit SLT.	Budget growth was approved in 2022/23 to recruit to a new senior post of Asst Chief Executive (Place) to enhance strategic capacity and place leadership. This post sits on the Corporate Leadership Team (CLT). This post provides strategic and corporate oversight of the delivery of Housing, Environmental Services, Community Services and Planning, Economy and Built Environment.
A4: Be explicit about the change you want to see, and will lead, in the borough.	We will continue to articulate the desired change in the next Corporate Business Plan.	The Corporate Business Plan 2022-26 and the 5 corporate strategies provide a clear articulation of what will be delivered during the period of the plan. Delivery can be demonstrated through the continuous improvement in corporate performance data capture and reporting as well as the annual report at year end. The Corporate Action Plan (CAP) for 24/25 taken together with previous CAPs since the plan was adopted in Oct 2022, means a cumulative total of 83% of actions and initiatives identified for delivery in the CBP and associated corporate strategies have been allocated to Service Area Plans (SAP) for delivery.
Financial Planning and Viability		
B1: Develop a clearer articulation of the assessment of risk associated with current economic uncertainty and possible further economic downturn/uncertainty.	This will be looked at the next Corporate Risk Register review and we will continue to form a key part of our processes during the setting of our Medium-Term Financial Strategy.	The Council prepares a risk-based analysis around the level of balances that could be called upon in any financial year. The Council's earmarked reserves are part of its risk management strategy. In particular, the Commercial Income Equalisation and Property Repairs and Renewals reserves are there to protect the Council's income stream from its commercial activities. A review of the sinking-fund in place for asset management is a recommendation from the CIPFA capital review in July 2023 and is being progressed as part of the N-S BVN response programme. Financial risk appetite has been set as cautious for 2024/25. A prudent approach is taken in scenarios put forward as part of the MTFS. Savings are only included in the outturn reports and updates to the MTFF if there is high confidence in delivery or they have been realised. Financial risk forms 52 of the 268 risks identified across the organisation, and 9 of the 22 risks that form the corporate risk register (as at 25 Mar 2024)

		The Council received a non-statutory Best Value Notice (N-S BVN) in December 2023 from DLUHC following a capital review conducted by CIPFA in 2023. A priority work programme is in place to respond to the N-S BVN within the 12-month period of the Notice. Risks associated with the N-S BVN programme have been identified an added to the risk management system.
B2: Consider how to effectively resource the transition from property acquisition to portfolio and asset management and optimisation.	A change plan for this function is already in place. It now needs to be delivered.	A restructure took place in 2021. The service area was previously known as Commercial Services and went through a complete restructure in 2021 when it was split into the three teams (Property Portfolio Management, Facilities and Buildings and Projects) to ensure an effective property estate and, at that point in time, to enable the team to deliver the requirements of the Council which included undertaking major regeneration projects namely; completion of AddlestoneOne (ADD1) scheme, Magna Square, Chertsey Business Park, Egham Business Park, whilst ensuring the investment property portfolio was managed effectively and efficiently by dealing with collection of rent monies, regearing of asset base, rent reviews and lease renewals in a timely manner. A new Asset Management Strategy was approved in Feb 2023 and subsequently procurement of a Total Facilities Management (FM) Contract has taken place with the contract coming into effect from April 3rd 2024. As a result, the structure of the A&R team is under review to ensure that the capacity and capability is in place, including succession planning to ensure that the strategically important portfolio management is fit for purpose and can flex as appropriate. An interim structure for 6 months is being recruited to in Q1 2024/25 due to significant workload and impact on capacity due to vacancies and long-term sickness impacting the resources available in the team.
B3: Budgeting 'bids' process should be more clearly aligned to priorities, business planning and business cases and their purpose should be clear – whether for growth/transformation/inves	The committee report template will include guidance to make sure the report authors list the new Corporate Priority/ies that the report is supporting once the new Corporate Business Plan is adopted.	The business case template has been continuously improved with mandatory sections included to demonstrate how the 'bid' meets corporate objectives and values incorporated in the CBP 22-26. In addition it is also a requirement to identify whether the activity has a direct or indirect, negative or positive impact on climate change. All planned activity whether it requires budget growth or not, is classified as either a project, review, one-off activity or new core activity and is aligned to a corporate strategy.

t to save/one-off investments.	The Business Case template in the project management toolkit will also be updated so the purpose is clearer.	Business and budget planning is now considered as combined activities, with joined-up planning and processes across both Finance and Business Planning (CEX office). In July 2023, to support the financial sustainability of the Council, £1M was placed in an earmarked reserve for invest to save initiatives that may come forward from the savings and efficiency programme or service review programme. Draw-down from the fund requires a business case identifying the benefits to be realised and alignment to strategic priorities. A process for tracking benefits realised is being set-up as part of the savings and efficiency programme. During 2021/22, the Council invested in additional specialist capacity to bid for and secure funding from bid opportunities. The post of Bid Writer was approved and recruited to in January 2022. In two years, working alongside colleagues in service areas, £1,699,191 has been secured from successful grant bids made in conjunction with Planning, Economy and Built Environment, Community Services and Housing.
B4: Be clear about funding arrangements where the Council is entering into partnership working with others, particularly when taking on new responsibilities.	We will continue to clear about all our funding arrangements should we enter into new partnership working.	For example the Community Services partnership arrangement with Surrey Heath BC was entered into with clear accountability and processes for financial management and oversight. This particular partnership arrangement shares risk and reward where appropriate which has culminated in efficiency savings for both partners in terms of shared resources and achieving better value for money by procuring fleet vehicles for both parties in the same procurement exercise.
B5: Be clear that any future regeneration schemes will need to be independently viable and affordable.		On 27th February 2020 Corporate Management Committee agreed to proceed with the mixed-use development then known as Egham Gateway West and now known as Magna Square. The construction project was delivered on time and under-budget. The total approved Magna Square (Egham Gateway West) budget was set at £90 million in November 2016. Of this, £5.3 million was spent on assembling land to facilitate the project, leaving £84.7 million for construction, fit out contributions, fees etc. Costs of Construction was £76.2M. The Council's Capital & Investment Strategy approved by Full Council in February each year ensures that the capital strategies are deliverable

		within existing resources, including prudential borrowing for the regeneration programme. The revenue consequences are affordable as shown in the Council's Medium Term Financial Strategy Magna Square was officially opened during 2022/23. The development includes a new town square, 101 apartments, student accommodation a cinema and retail/leisure units. In Q4 2023/24, all but one of the apartments were either sold or let.
Organisational leadership and governance		
C1: Senior team should be more visible – walk the floor.	CLT and SLT will be more visible.	CEX Forum is scheduled Quarterly with opportunity to attend in person or virtually. CEX and ACE plus other senior officers make regular visits to the depot site to meet with DSO staff before shifts start (05:30) to ensure staff there (who don't have access to a PC) feel more part of the organisation as a whole and that senior officers listen and hear their voices. Monthly staff e-newsletter is published. Friday message circulated from a member of CLT on rotation. Staff Suggestions scheme operates on StaffHome and managed by the Communications team. This provides a forum for the workforce to provide suggestions and a response is collated and published to keep staff informed.
C2: Invest in dedicated team development for SLT with a focus on breaking down silos and leading change.	Additional training has already been arranged for SLT for December 2019.	The Organisational Development corporate strategy recognises Leadership Development as a key theme. SLT away days were held in Dec 2021 and in June 2022 off-site once covid restrictions were lifted. Monthly SLT meetings are in place. A management development programme was delivered in 2022/23 for senior managers to ensure colleagues are appropriately skilled to lead their teams. Organisational Development Strategy to be delivered 2022-26 recognises the importance of collaborative working and change

		management. A number of actions were identified for delivery and these have been included in relevant service area plans. The N-S BVN response programme includes the assessment of organisational culture which will look to identify actions to align the culture and leadership across CLT and SLT reviewing the Councils core values to support our vision, mission and strategic priorities, and that operational decisions are being made in the corporate interest.
C3: Empower staff to work in more agile way.	There is a Digital Transformation programme mapped out for the next two years which will facilitate agile working.	The coronavirus pandemic brought forward and accelerated this element. Laptops were procured and provided to office staff, system migration to O365 and upgrade to Windows 10, migration from Citrix to Virtual Private Network (VPN) to enable Council staff to work remotely. Hybrid meetings were delivered via MS teams. This meant that despite the pandemic and the lockdowns, the organisation was able to deliver the sustained emergency response to residents, continue the democratic process with hybrid Committee meetings, and deliver core activity that was not affected by the pandemic. The telephone system has been upgraded to move to ‘soft-phones’ where calls are taken and received via laptops. This further enables agile working. Moving forward to present day, there is an approved hybrid working policy and all office-based staff routinely work from home 2 days a week. Hardware has been standardised across all desks in council-owned offices to provide a standard set-up including gas-arms, laptop docking stations and stands and standard monitor size deployment. Investment was made in 2023/24 to upgrade civic centre meeting rooms with technology to enhance the virtual meeting experience. Member devices have previously been different to officer devices. During 2023, it was agreed by Corporate Management Committee to standardise the member devices to be the same specification as officer devices, moving from tablets to standard laptops. This has improved deployment of maintenance protocols and security patches, provides for improved reuse of hardware equipment to both cohorts and improves longevity. Member device refresh has therefore been prolonged from every 4 years to every 6-8 years permitting re-phasing of capital requirements.

		The Digital Transformation Strategy 2024-2027 is being developed and will come forward to Corporate Management Committee during 24/25 for adoption.
C4: Identify the total employee proposition to aid recruitment, retention and succession planning. Be an employer of choice.	Communications and HR are developing web pages to promote the Council to all potential future candidates as well as reviewing the induction programme and staff pages to assist new recruits.	The Organisational Development (OD) corporate strategy recognises Leadership Development, Workforce planning, Talent Sourcing, and Employee motivation, recognition, and engagement as key themes. In Jan 2024, following the retirement of the previous postholder, Kate Enver joined as Corporate Head of HR & OD who is moving forward initiatives at pace with a clear and more progressive approach. Progress made since 2022 against the OD strategy include: In 2022/23, the annual leave entitlement was increased from a starting point of 23 to 28 days, with employees who have worked with us for more than two years seeing an increase to 31 days. This was to improve recruitment by offering a better work/life balance. An agile working policy was launched, which sets out how managers and staff are expected to operate now many colleagues work at home up to three days a week. Our first Talent Management Strategy was approved by Corporate Management Committee in 2023 and will see three employees a year work through a specific programme. A management development programme was delivered for senior managers to ensure colleagues are appropriately skilled to lead their teams. A new combined Human Resources and payroll online platform is being implemented including a new recruitment and onboarding module which will clearly articulate the employee value proposition. The new HR/Payroll system will remove the need for staff to use paper forms, modernise the employee experience and provide a much greater level of management information. Future developments are planned for a 'whole-life' employee experience, from , probation, appraisal, promotion and exit processes. A new employee health and wellbeing strategy has been implemented in 2023 to enhance the employee's experience.

		New policies on wellbeing, health and safety were developed and stress management guidelines created alongside new equality, diversity and inclusion initiatives e.g. implementation of Mental Health First Aiders, support and guidance for managers and staff during Ramadan, how to support employees, team and managers to understand Neurodiversity in the workplace. A new occupational health provider has been sourced with particular expertise in mental health with an accompanying Employee Assistance Programme.
C5: Develop a comprehensive internal communications strategy. Make communicating better everyone's responsibility.	There is a new Communications Strategy currently being written which includes internal communication. A refreshed monthly staff newsletter has recently been reintroduced.	An internal communications strategy was approved by the former CEO in January 2022 following delays during the pandemic. Multiple actions from this strategy have already been delivered to improve communication of key information throughout the Council. This includes development of the intranet, launch of multiple staff e-newsletters, offline channels of communication, CEO staff forums, increased sharing of external news to staff audiences, messaging dedicated to introducing and positioning new members of CLT. As part of the intranet development, service areas have been allocated ownership of their content to encourage better communication across the organisation. A digital suggestion box to aid communication of questions and ideas has also been implemented.
C6: Refresh the member development offer – to support the new political intake, introduction of working groups, and place leadership.	A full Member Training Programme will be rolled out in 2020/21	Member training is delivered annually after the May elections as a mechanism to engage newly elected members with the information and knowledge to be able to fulfil their duties on the Committee's they are appointed to and more broadly on all aspects of duties of a councillor. The training provided is reviewed and updated regularly. Training through the LGA is also available for Members. Mandatory training is provided for all members annually on a broad range of topics: Safeguarding Planning training Role of the Standards and Audit Committee Introduction to finance including an overview of Runnymede's Special Purpose Vehicles (RBCI, RBCH, RBCS) Licensing training

		Meeting procedures and making the most of committees Biennial treasury management training Data protection and GDPR, members' code of conduct, registers/declarations of interest, the Communications Teams and getting the most out of social media inc. conduct online Carbon Literacy / Climate Change Response briefing Procurement training Anti-fraud and risk management training Housing and the third sector Budget training Two Treasury Management training sessions, one internal and one hosted by the Council's Treasury Advisors Meet the services sessions Emergency Response Training for Members planned for early 2024
C7: Introduce political awareness training for officers.	Training will be provided to SLT once the new political makeup is known.	Political awareness training forms part of the Management Development Programme and is delivered by LGiU. Political awareness is a regular item for discussion at SLT meetings and is cascaded through the organisation as appropriate
C8: Identify the potential tension between engaging in new types of debate and delivering on agreed priorities.	The CE is writing a committee report to address the issues.	Member Working Parties (MWPs) were set up from Sept 2020. A full review of MWPs, their make-up and role was completed and reported to Full Council in July 2023. The original concept of Working Parties was to explore ways in which the Council's key strategies could be implemented, exchange ideas between officers and members and to understand new challenges and opportunities. Working parties would either debate key policy issues which need to come before Council committees, analyse results of work undertaken by Council staff such as public consultation or discuss the outline content of important reports to be considered in forthcoming business cycles. A work programme based around the Corporate Business Plan strategy and workstreams for each of the working parties is drawn up by the lead officer for consideration at the first meeting. This is then progressed through the municipal year.
C9: Align working party programmes with agreed corporate priorities.	The working party priorities are due to be reviewed in February to ensure they are re-aligned with the new priorities.	
C10: Regularly review the Working Party model.	The model will be reviewed annually.	
Capacity to deliver		
D1: Be clear about what you want to do, how you	Our new four-year Corporate Business Plan is currently being developed.	Corporate Business Plan in place for 2022-2026. Mid-point review scheduled for after the May elections 2024, to ensure the strategic

are going to do it, and who is going to do it.		direction of the borough continues to reflect the environment in which the authority operates. The Corporate Business Plan 2022-2026 sets the direction of travel for the organisation as a whole. A golden thread runs through all our work starting with the Corporate Business Plan, and tracing through the five strategies. This breaks down into programmes of work and projects and from these flow service area plans, this approach is used because it ties the work of all staff at the Council to the overall aim of the organisation.
D2: Develop a formal process for considering new initiatives against agreed priorities and existing resources.	There is already a formal process in place for considering bids, but whilst we are in-between Corporate Business Plans it hasn't been possible this time around to demonstrate the golden thread between the new business cases and the specific new Corporate Priorities. This issue will be resolved for the next cycle because the new CBP will be in place.	Budget and business planning run consecutively with a combined process. CHoS are required to develop business cases for any proposed growth or new initiatives for the following Financial Year (FY). These are reviewed by Accountancy and challenged by CLT as part of the budget and business planning process. A rigorous challenge process was applied to all growth bids for 2024/25 to ensure only essential or priority growth bids were included in the process. Officers were challenged on costs, timing and the criticality of the bid to service delivery alongside contribution to the achievement of Council objectives. Only growth identified as aligning with strategic priorities are put forward for challenge by the administration (at a Member away day) and onwards to Cttee as proposals for growth as part of the MTFS and Budget reports. Activities requiring growth are added to Service Area Plans for delivery in the following FY. Service Area Plans are approved by the relevant Service Cttee or Corporate management cttee annually in Feb/Mar ahead of the new FY. All planned activity is added to the Business Planning Tool to enable progress checks through Qly portfolio reviews with each CHoS and regular 121s with the appropriate ACE.
D3: Develop a culture that can support the delivery of the above and support staff individually.	We will continue to offer individual support to Officers and will revise templates based on feedback.	PMO manage the process on behalf of CLT. PMO officers provide support and guidance to SLT with regards to business cases, development of service area plans, updating and reporting on progress, development of bespoke dashboard and reports for service requirements.
D4: Enhance strategic leadership capacity at	Fit for the Future is an evolving model. Additional capacity is planned for 2020/21.	A proposal was approved by full Council in February 2022, under the Council's Medium-Term Financial Strategy, to supplement the CLT and add strategic capacity within the organisation, through the

senior level to deliver change.		appointment of an additional Assistant Chief Executive, who would take on the responsibility for place-based services such as Housing Services, Environmental Services, Planning, Economy and the Built Environment. Phil Turner was subsequently appointed to this post and joined the organisation on 17 July 2023. At the end of 2022/23, the Chief Executive of 14 years, Paul Turrell, announced his intention to retire and a recruitment process commenced for a new Chief Executive. Following a rigorous recruitment process, Andrew Pritchard was formally appointed to the post by full Council on 20 July 2023, to take up the post from 01 August 2023. CLT is supported by the wider Senior Leadership Team (SLT) consisting of the Corporate Heads of Service and other roles reporting directly to the Chief Executive. During 2022/23, the number of Corporate Heads of Service were reduced from 10 to 9, following the departure of one Service Head and the subsequent merger of two service areas to create the Planning, Economy and Built Environment Service.
D5: Develop a clear approach to succession planning.	SLT Members have recently been reminded of the need to continuously reassess this.	The Organisational Development corporate strategy recognises Leadership Development, Workforce planning, Talent Sourcing, and Employee motivation, recognition, and engagement as key themes. Career grades, National Graduate Development programmes and apprenticeship schemes have all been introduced in addition to start ‘growing our own’ so we can successfully succession plan for the future. This has been particularly successful in Finance service area, where 4 members of staff have been promoted internally over the last two years. A new core activity for HR & OD from 23/24 is for CHoS and senior managers to work with HR Business Partners to produce a practical service workforce plan to resolve skills gaps in their service areas, including succession planning. Early indicators show some success in this area at a local level across the organisation but a more systemic approach, with detailed actions plans and clearly identifiable deliverable are required and will be developed in 2024/25. The implementation of the new HR/Payroll system will provide better quality workforce demographic and establishment data to aid this process.

D6: Continue to invest in project and programme management.	An extra project manager will be added to the establishment from 2020/21.	As part of the ‘Fit for the Future’ CEX office restructure in 2021, the responsibility of the PMO widened to bring together business planning, projects and performance (and procurement at that time) in one team. Significant development in corporate data capture and analysis by the PMO team has improved reporting of corporate performance as a whole, providing a suite of reports and dashboards that can be derived from a single database to monitor and measure progress against service area and corporate action plans. Project Management principles lie at the heart of how we deliver for our residents. Additional improvements have been made to the capacity of the Project Management Office (PMO), who support the delivery of major cross-organisational projects and programmes, provide project management training, monitor and report performance and manage the Council’s business planning cycle. This capacity has been created by moving the Procurement team out of the PMO from July 2023 to report to the ACE (S151). The PMO team consist of 4 FTE qualified project professionals with significant experience in delivering successful projects and programmes. In July 2023, the PMO was delegated the additional responsibility of a systematic review of risk management, establishing the risk management system and managing review and reporting of risk regularly throughout the year. In Jan 2024, workloads have been reallocated within the team to ensure that the strategically important programmes (Non-statutory Best Value Notice response programme, Service Review programme, Savings & Efficiency programme) are managed corporately from resource in the team. The CIPFA capital review recognised strength in this area but also that, for the Council to deliver the savings and service review programme, additional capacity would be required. This was prior to the need for corporate programme management of the response to the non-statutory Best Value Notice. The Graduate Policy Officer has recently been seconded into the PMO team to support one aspect of the N-S BVN programme to assist the Programme manager.

D7: Develop appropriate expertise and resources in asset and property portfolio management.	A change plan for this function is already in place. It now needs to be delivered.	This was similarly recognised as a risk and recommendation in the CIPFA capital review and addressing capacity and capability in the Assets & Regeneration team is a key workstream for the N-S BVN response work programme, sponsored by the CHoHROD. Recruitment and retention of qualified professionals e.g. chartered surveyors to support asset management of the property portfolio is a sector-wide issue and is recognised as a significant risk. In March 2024, approval was sought to release revenue budget provision from 23/24 to be carried forward to 24/25 to permit interim recruitment to vacant posts for a 6-month period. This will ensure that work required to respond to the non-statutory Best Value Notice can proceed at pace and delegation of aspects of the management of the asset portfolio.
D8: Make commercialism the day job and everyone's responsibility	A Commercialism in the Public Sector training course has already been included in the new two-year Learning and Development Programme.	Commercial Awareness in the Public Sector training course delivered in Dec 2020 for all Senior Managers. Innovation and income generation opportunities is encouraged as part of the savings and efficiency programme. Reviewing processes and procedures to ensure they are effective and efficient is a key deliverable from the service review programme.

Report title	**Complaints and Compliments Quarter 4 and year end 2023/24**
Report author	Clare Pinnock, Democratic Services Officer
Department	Law and Governance
Exempt?	No, apart from the exempt appendix
Exemption type	1) Information relating to any individual (personal data) 2) Information likely to identify an individual (personal data)
Reasons for exemption	The list of staff receiving compliments is exempt as it identifies individuals who may not have given explicit consent for this to be in the public domain

Purpose of report:

- **For information**

Synopsis of report:

To report on complaints and compliments recorded on the corporate registers between 1 January and 31 March 2024 (Quarter 4) and to summarise the year end statistics and any changes since the last meeting.

1. Context and background of report

1.1 The Council maintains corporate registers (spreadsheets) of formal complaints which have been recorded (and a separate register for those in which the Local Government and Social Care Ombudsman and Housing Ombudsman (the Ombudsmen) have been involved), what they relate to and how they have been resolved. We maintain a similar spreadsheet for compliments.

2. Report and, where applicable, options considered and recommended

1.2 In February 2024, the Local Government Ombudsman and Housing Ombudsman issued the new separate, but aligned complaint handling codes. The Local Government Ombudsman's complaint handling code and the Council's updated complaints policy are due to be adopted by this Committee in July (deferred from this meeting, as agreed at the last special meeting in March 2024).

1.3 As at 31 March 2024 there were 27 entries in the complaints register and 13 in the compliments register.

1.4 Complaints Quarter 4 and year end 2023/24:

Business Centre	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Year end**
Assets and Regeneration	1	5	2	4	**12**
Community Services			2	1	**3**
Corporate Services					
Customer, Digital and Collection Services	2	1	1	1	**5**
Environmental Services	27	24	12	2	**65**
Financial Services		1			**1**
Housing	6	16	14	17	**53**
Human Resources					
Law and Governance	1	1	1	1	**4**
Planning, Economy and Built Environment	1	6	5	1	**13**
Total	**38**	**54**	**37**	**27**	**156**

2.4 The year end figure of 156 compares with 107 for 2022/23.

2.5 Of the 27 complaints listed; two have been withdrawn in respect of Housing and another is likely to be withdrawn regarding Planning and Built Economy with the residents being happy with our initial contacts to resolve so they could effectively be ‘downgraded’ to a service request. There were 9 complaints upheld and 7 not upheld. The remaining are all in progress and an update has been sought from the relevant business centres. In respect of the three in progress within Housing colleagues have advised that these have involved ongoing discussions with the people in question, for example to clarify the nature of their complaint and liaison with contractors.

2.6 In terms of specific complaints, an issue was identified with regard to the parking at Waitrose in Egham in the last quarter, it occurred again this quarter and the relevant Corporate Head has been actively making improvements to avoid any further problems.

2.7 Having one of the widest and most public facing services, Housing continues to have the highest number of complaints. These are across the different strands of Housing and several were about our contractors and/or the condition of their property.

2.8 It is anticipated that when the new CRM is launched any under-reporting will be corrected and the figures showing Housing as the highest may be more comparable as more business centres are trained on the CRM and become familiar with the new policies and procedures for which guidance is being produced and training arranged.

2.9 Members will note the significant drop in complaints regarding refuse and recycling. This is mainly due to re-direction of 'complaints' to the 'report it' function which is in line with the new definition of complaints.

2.10 Many complaints are indicative of the volume of work that staff are dealing with leading to delays and the customer then chases their enquiries for progress.

2.11 In terms of compliments these were spread evenly between Customer Services and the DSO and details of individuals can be found in Exempt Appendix 'A'. The public appreciated staff who have helped them with a problem, responded quickly and efficiently to service requests, taken time to listen and empathise and shown a positive outlook.

2.12 The table below sets out compliments for the year 2023/24:

Business Centre	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Year end**
Assets and Regeneration					
Community Services	4	2	3	1	10
Corporate Services	1				1
Customer, Digital and Collection Services	3	5	3	6	17
Environmental Services	6	15	4	5	29
Financial Services		1	1		2
Housing	5	5	3	1	13
Human Resources					
Law and Governance			1		1
Planning, Economy and Built Environment	1	1	1		3
Total	**20**	**29**	**16**	**13**	**78**

2.13 The year end figure of 78 compares with 87 for 2022/23 which is fairly consistent. However, it is considered that compliments may be under-reported in some areas of the Council and it is important to share where staff have performed above and beyond and their efforts have been appreciated by the public as well as take into account suggestions for improvement and best practice.

2.14 The breakdown of complaints and compliments for 2023/24 by Ward is set out below (- denotes complaints and + compliments)

Ward	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year end	
	-	+	-	+	-	+	-	+	-	+
Addlestone North	4	3	6	2	4				14	5
Addlestone South	2	3	4	2	3	1	8	2	17	8
Chertsey Riverside	2	1	1		5		4	1	12	2
Chertsey St Ann's	5	1	8	4	1		3	2	17	7
Egham Hythe	3	1	8	2	4	3			15	6
Egham Town	2	3	6	3	4	2	1	1	13	9
Englefield Green East	1			1					1	1
Englefield Green West	2	2	2			1	1	1	5	4
Longcross, Lyne and Chertsey South	1		2	1	2	1			5	2
New Haw	1	1	4	1	3	1	2	1	10	4
Ottershaw		1	3		3	1	1	2	7	4
Thorpe	2		2	1	1		2		7	1
Virginia Water			1						1	
Woodham and RowTown	5		1	1			2		8	1
Out of Borough	2	3	4	4	2	2	2	1	10	10
Unrecorded	6	1	2	7	5	4	1	2	14	14
Totals	**38**	**20**	**54**	**29**	**37**	**16**	**27**	**13**	**156**	**78**

3. Policy framework implications

3.1 The Corporate Business Plan 2022 – 2026 is relevant to this process as handling complaints is at the centre of how we interact with the public. Our values include being customer focused, striving for excellence, improving services, promoting equality and diversity, and delivering excellent value for money. Our goals include having satisfied customers. It is important that our processes are aligned with these strands of the plan.

3.2 The Corporate Service Review has reached the stage where the Corporate and Senior Leadership Teams are having a more in depth look at the workings of the CRM before it is launched.

3.3 We will start collating data where possible in preparation for more formal reporting with new Key Performance Indicators to be used from 2025/26 following those suggested by the Ombudsman. Future reports will inform the Committee on:

- Number of complaints received at stage 1
- outcome of stage 1 complaints – upheld, not upheld, partially upheld
- average number of working days to respond to complaints at stage 1 following acknowledgement
- number of complaints escalated to stage 2 – upheld, not upheld, partially upheld

- outcome of complaints at stage 2
- average number of working days to respond to complaints at stage 2 following acknowledgement
- number of service improvements by service area or department

4. Resource implications/Value for Money

4.1 Complaints are dealt with across the business centres within existing resources. Where compensation has been paid there is no separate budget for this.

5. Legal implications

1.5 None identified.

6. Equality implications

6.1 The Council has a duty under the Equality Act 2010. Section 149 of the Act provides that we must have due regard to the need to;

a) eliminate discrimination, harassment, victimisation and other conduct prohibited by the Act

b) to advance equality of opportunity

c) foster good relations between persons who share a relevant protected characteristic and persons who do not share protected characteristics.

We should at all times act in a way that is non-discriminatory through our policies and procedures and interactions with people.

6.2 In the last reporting period there were three complaints that could be identified as relevant to disability, which were not upheld, one to age which was also not upheld and two relevant to race which are in progress. There were three compliments relevant to age.

7. Environmental/Sustainability/Biodiversity implications

1.6 None identified.

8. Risk Implications

8.1 There is reputational risk if complaints are not dealt with satisfactorily. If the complainant subsequently complains to the Ombudsman and they uphold the complaints; these are published on their website and there is an obligation on us to also report on them.

9. Other implications

9.1 None identified.

10. Timetable for Implementation

1.7 The next report to this Committee will be to present the updated Council's Complaints Policy and adoption of the Ombudsman's complaint handling code. It is likely that a review of the unreasonable complainant behaviour protocol will also take place shortly, resources permitting.

1.8 Regular meetings between Digital Services, Democratic Services, Customer Services and Housing continue to take place, taking the project forward.

1.9 Training for stage 1 complaint handlers and other relevant staff overseeing the process has been arranged in liaison with the Ombudsman who provides an on-line course for up to 18 delegates delivered ‘on site’ to individual councils. It is likely that we will have up to 30 staff trained in the medium term.

11. Conclusions

1.10 The way we deal with complaints informs service improvement and accurate reporting shows a transparent approach to our governance arrangements.

12. Background papers

- Data contained in the corporate registers and across business centres (part exempt)

13. Appendices

- Exempt Appendix ‘A’ compliments received in Quarter 4

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted