

**Enquiries regarding this Agenda: Democratic Services (01737 276182)
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TUESDAY, 28 AUGUST 2018

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors	B. A. Stead (Chairman)	R. Michalowski
	T. Archer	D. T. Powell
	M. S. Blacker	J. M. Stephenson
	R. W. Coad	Mrs. R. S. Turner
	G. R. Curry	J. C. White
	J. C. S. Essex	J. F. White
	J. S. Godden	Mrs. A. F. Tarrant
	J. P. King	

Substitutes

Conservatives: Mrs. R. Absalom, R. Biggs, J. M. Ellacott,
V. H. Lewanski, G. Owen and C. Stevens

Residents Group: Mrs. J. S. Bray, R. Harper, N. D. Harrison and
M. J. Selby

Green Party: H. Brown and S. McKenna

A G E N D A

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on
THURSDAY, 6 SEPTEMBER 2018 at 7.30 pm in the New Council Chamber - Town
Hall.

John Jory
Chief Executive

If you need this agenda in an alternative format, please refer to the information on
the final page.

1. MINUTES

(Pages 5 - 12)

To confirm as a correct record the Minutes of the previous meeting.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and notification of any substitute Members in accordance with the Constitution.

3. DECLARATIONS OF INTEREST

To receive any Declarations of Interest (including the existence and nature of any Party Whip).

4. PORTFOLIO HOLDER BRIEFING

To receive a briefing from Councillor Humphreys, Portfolio Holder for Business and the Economy, and to consider any issues that arise.

5. QUARTERLY PERFORMANCE REPORT (Q1 2018/19)

(Pages 13 - 22)

To consider the performance in the first quarter of 2017/18 of the Council's Service Indicators, Revenue Budget Monitoring, Capital Budget Monitoring, Risk Management and Internal Audit.

To consider any Advance Questions submitted.

6. ISA 260 EXTERNAL AUDIT REPORT 2017/18

(Pages 23 - 66)

To note the report from the Council's External Auditors, KPMG, which summarises the conclusions and any significant issues arising from the audit of the 2017/18 Annual Financial Report.

To consider any Advance Questions submitted.

7. ANNUAL GOVERNANCE STATEMENT 2017/18

(Pages 67 - 78)

To note the Council's Annual Governance Statement, as considered by the

Executive on 21 June 2018, and included in the Council's Statement of Accounts for 2017/18.

8. FLATS RECYCLING SERVICE

(Pages 79 - 90)

To consider the Flats Recycling Service report to be considered by the Executive on 13 September 2018, and to offer any comments to support the Executive's consideration of the report.

To consider any Advance Questions submitted.

9. BUDGET SCRUTINY REVIEW PANEL 2018/19

(Pages 91 - 92)

To approve the constitution of a Budget Scrutiny Review Panel for the year 2018/19.

10. EXECUTIVE

To consider any items arising from the Executive which might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules set out in the Constitution.

11. ANY OTHER URGENT BUSINESS

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency - Local Government Act 1972, Section 100B(4)(b).

(NOTE: Under the Committee and Sub-Committee Procedure Rules set out in the Constitution, items of urgent business must be submitted in writing but may be supplemented by an oral report.)

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Agenda Item 1

Overview and Scrutiny Committee
June 2018

Minutes

BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall, Reigate on Tuesday, 12 June 2018 at 7.30 pm.

Present: Councillors T. Archer, M. S. Blacker, R. W. Coad, G. R. Curry, J. C. S. Essex, J. P. King, R. Michalowski, J. M. Stephenson, Mrs. R. S. Turner, J. C. White, J. F. White, Mrs. A. F. Tarrant, Mrs. R. Absalom (Substitute), R. Biggs (Substitute) and C. T. H. Whinney (Substitute)

Also present: Councillors M. A. Brunt and R. H. Ashford

1. ELECTION OF CHAIRMAN

RESOLVED that Councillor B.A. Stead be elected Chairman of the Committee for the Municipal Year 2018/19.

2. ELECTION OF VICE-CHAIRMAN

RESOLVED that Councillor J.P. King be elected Vice-Chairman of the Committee for the Municipal Year 2018/19.

(Councillor J.P. King took the Chair)

3. MINUTES

RESOLVED that the minutes of the meeting held on 19 April 2018 be approved as a correct record.

4. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillors B.A. Stead (substituted for by Cllr. C.T. Whinney), J.S. Godden (substituted for by Cllr. R. Absalom), and D.T. Powell (substituted for by Cllr. R. Biggs).

Others: None.

5. DECLARATIONS OF INTEREST

Cllr Essex declared a non-pecuniary interest as a director of the charity Furnistore, as part of the discussion of Item 11: 5 Year Plan Performance Report 2017-18.

6. INTRODUCTION TO SCRUTINY

The Committee received an introduction to the Overview & Scrutiny process and the role of the Committee from the Monitoring Officer. This included an overview of the purpose of scrutiny, the legislative background, the scrutiny approach taken by

the Council, and the Committee's work programme. Members were advised of the available options for ad-hoc work, available resources, the advance questions process and their responsibilities as Committee members.

The Leader of the Council was invited to address the Committee, and thanked the Committee for the opportunity. The Leader stated that, as a former member of the Committee, he was aware that the relationship between the Committee and the Executive had previously not been ideal, but that he hoped to support a better relationship between the two in future. He recognised the important role of the Committee as a critical friend, and noted that he would seek to listen to and be available to respond to the Committee whenever possible.

The Leader also noted that he would support the working group considering the lessons learned from the Council's experiences with the Pathway for Care company.

The Vice-Chairman presented a number of comments provided by the Chairman, emphasising the Committee's role as a critical friend to the Executive, their role in representing their electors, and the advantages of the advanced questions process.

RESOLVED that the comments of the Monitoring Officer and the Chairman be noted.

7. LEISURE CENTRES - GLL

The Committee received a presentation from representatives of GLL (Greenwich Leisure Limited) on their work operating leisure centres for the Council. The presentation detailed leisure centre activity levels and engagement activities, along with GLL's work as a social enterprise in the borough, working with the Council.

Leisure centre user levels were identified to have dropped somewhat during 2017, which was attributed to increased competition from low-cost gym providers, but was remarked to be improving again following recent improvements and the Donnyngs leisure centre. Attention was drawn to GLL's efforts to reach out to all residents in an inclusive manner.

A number of community support and engagement activities were identified, including the GLL Sport Foundation, the Better Club Games programme, work with the Council's community development team, work with refugee integration activities, and support of a GP referral scheme (Healthwise) in the borough (including case studies). The presentation also noted GLL's work to evaluate the social value provided by their activities, and their data driven approach to planning work.

There were a number of questions and comments on the presentation, relating the following topics, which were responded to by the GLL representatives, and Cllr Ashford, Portfolio Holder for Community Wellbeing:

- **Employee Remuneration.** It was identified that as a charitable social enterprise owned by its staff and society members, GLL's staff salaries were set by the elected worker board, and were relatively flat compared to other comparably sized entities.
- **Youth Engagement.** A number of questions were raised by committee members regarding GLL's work in engaging young people with its services, and the offer available to them. It was identified that whilst GLL sought to

offer good value for money, pricing could be a factor for some individuals. It was identified that student memberships were available, and that the topic would be considered to see if any other steps could be taken. Attention was drawn to the importance of providing activity options to appeal to all genders, providing support for areas of high deprivation, and the potential mental health benefits thereof. It was identified that user levels for children were not necessarily tracked independently to parents, and that it would be considered if this could be improved to help inform engagement work. It was noted that GLL hadn't historically operated large scale advertising campaigns, but maintained a social media presence, worked with local schools, and participated in a number of local events where information on leisure facilities was available for young people and parents.

- **Pricing of Facilities.** Members were advised that work to standardise pricing at leisure centres across the borough had now completed, and that this had been undertaken by increases in some respects and price freezes in others. It was identified that prices in the borough were broadly similar to others in the area outside of London. It was identified that GLL facilities didn't compete directly with low-cost gyms on price, but sought to offer higher quality service and facilities, along with a wider range of options.
- **Social Value Comparisons.** It was identified that the social value calculator had only been used for one year to date, but that it would be available in future years as a comparative tool.
- **The GP Referral Scheme.** It was noted that the scheme had originally been funded by Surrey County Council, but that it was moving towards being entirely funded by GLL, following cuts to funding by Surrey. It was identified that subsidised memberships were available, but that individuals referred to the 12 week activity programme would need to be re-referred to access the programme again following its completion.
- **Opening Schedules and Cancellations.** Members were advised that centres sought to clearly publicise opening schedules around Christmas on-site, and online, but that it recognised that there remained the possibility for some individuals to miss this information. It was identified that there had been no reduction in opening hours around the period. Members were advised that when individuals leading classes at the leisure centres were unable to attend at short notice, procedures were in place to source replacements to support the classes wherever practical. It was noted that unfortunately some classes with more specialist operators had limited available alternatives in the event of the scheduled individual being forced to cancel.
- **Site Maintenance.** It was identified that some sites used contract cleaning services, and others were cleaned directly by GLL employees. Regarding a query about cleanliness at the Horley site, it was confirmed that the centre had previously used a contract cleaning service, but that it had now moved to being cleaned directly by GLL staff members. It was noted that there had been a temporary issue with the temperature of the small pool at Horley when automated systems were unavailable, but that pool temperatures were checked on a regular basis throughout the day, and checked by an external contractor.
- **Refurbishment Programme.** It was confirmed that the Donnyngs site had been selected for the most recent refurbishment due to there having been the longest period since its equipment was renewed.

- **Cross-Borough Funding.** It was confirmed that leisure centres were not subsidised between different boroughs.
- **Positive Experiences.** A number of Members noted positive experiences they had had with GLL services.

The Committee thanked the GLL representatives for the presentation.

RESOLVED that the presentation from GLL be noted.

8. COMMUNITY CENTRES - STAYWELL

It was noted that this item had been withdrawn, following conversations between the Portfolio Holder for Community Wellbeing and the Chairman, and that it would be rescheduled for a future meeting.

9. PROVISIONAL REVENUE AND CAPITAL OUTTURN 2017-18

The Committee considered the provisional revenue and capital outturn for the 2017-18 financial year.

The Committee discussed the report, and there were a number of questions and comments, relating to the following topics:

- **Capital Projects Spending.** Members were advised that capital project spending was primarily monitored over the life the project, and that any requests for significant additional funding would be submitted to the Executive for consideration. It was identified that most reported underspends and overspends during the life of a project therefore resulted from differences in in year project timings, rather than changes to total costs. It was noted that the remaining work to be completed on the Warwick Quadrant project would be confirmed following the meeting.
- **Allocation of Reserves.** Members were advised that reserves were created to reflect identified demands. The proposed Government Funding Reduction reserve was confirmed to reflect the external risk associated with uncertainty of NNDR (Nation Non-Domestic Rates – colloquially Business Rates) levels from 2020. It was confirmed that the Business Rates Pilot scheme was for one year, and was not currently projected to extend beyond that point.
- **Treasury Performance.** It was identified that the Council did not have the capacity to undertake the investment fund management currently conducted by an external fund manager (Tradition) in-house. It was noted that information on when the external fund manager was last reviewed would be confirmed following the meeting. It was noted that the Council had been able to obtain a positive short term investment variance in 2017/18 resulting from additional actions to secure a return on cash balances. It was noted that information on income from trading companies would be confirmed following the meeting.
- **Parking.** A query was raised regarding the reduced income from parking services. Members were advised that the situation was being monitored to determine the causes. It was confirmed that pilot work was being undertaken on a pay-on-exit scheme at the Bancroft Road site, with consideration being required to ensure there was not an adverse effect on traffic. It was noted that the timescale for future implementation of related schemes would be confirmed.

- **Legal Services.** Members were advised that the contextual changes to legal services costs had been reflected in the 2018-19 budget, and that the overspend was not expected to repeat to the same degree. It was noted that the overspend had been impacted by the reduction in land charges income, following changes in legislation to allow competing providers. Recruiting for a number of legal team positions was noted to be ongoing. Members were advised that legal activities were undertaken in-house where appropriate, but that external legal advice continued to be required in specialist fields. The Leader advised that the Council would be working to ensure that it had sufficient resourcing, including in legal services, to deliver its objectives.
- **Fund Recovery from Icelandic Banks.** It was confirmed that all money in Icelandic banks affected by the 2008 financial crisis had now been recovered.
- **Recycling Income.** Members were advised that income from sale of recyclates had decreased significantly, and the income for 2018-19 was therefore expected to considerably less than in 2017-18. It was identified that the Council's approach to collecting separated categories of recyclates continued to deliver improved income relative to co-mingled collection.
- **CIL Administration Costs.** It was confirmed that CIL (Community Infrastructure Levy) administration costs were expected to recover to projected levels.
- **Investment Strategy.** Members were advised that the Council's new investment strategy and associated governance arrangements were still under development, and would be submitted for full Council approval before implementation. It was identified that the strategy would include consideration of the best use of cash reserves. It was noted that the Council had an approved £80 million borrowing limit, but did not currently have any borrowing activity. It was identified that the approach to borrowing would be considered as part of the development of the investment strategy.

RESOLVED that the Provisional Revenue and Capital Outturn 2017-18 be noted.

10. **QUARTERLY PERFORMANCE REPORT (Q4 - JANUARY TO MARCH 2018)**

The Committee received a report that detailed the major variances on performance in relation to the Council's Key Performance Indicators, Risk Management and Internal Audit.

The Committee considered and discussed the report. There were a number of questions and comments on the report, relating to the following topics:

- **KPI 13 – Business income as a percentage of gross budget.** A query was raised regarding the performance of this indicator relative to the target. Members were advised that the methodology used to determine the performance indicator and associated targets had historically been set to include factors outside of the Council's control, and was being reviewed to improve its representativeness and relevance.
- **Risk management around external factors.** A query was raised regarding actions to be taken to mitigate risks from external factors, such as a reduction in recycle prices. It was identified that whilst such external factors were outside of the Council's control and could not be directly controlled, the Council sought to remain aware of their consequences, and adjust budget expectations accordingly as part of the financial planning process.

- **Risk ratings.** It was clarified that the colour-coded risk ratings went from a most serious risk rating of red, through amber, yellow and then to the least serious rating of green. It was identified that four grades were used rather than three to allow for finer-grained differentiation of risk levels. It was recommended that a note on the risk ratings indicators be included in future performance reports.
- **Waste disposal.** A query was raised regarding the potential use of an incinerator for waste disposal. Members were advised that decisions regarding waste disposal would be considered by Surrey County Council (SCC), as the waste disposal authority, whilst the Council was a waste collection authority. It was noted that SCC was believed to currently have a policy opposing the establishment of incinerators. It was therefore confirmed that there were currently no plans for the use of waste incinerator.
- **Recycling credits.** It was confirmed that there was considered to be a high risk of a cut in recycling credits from SCC, and that this would be considered as part of the financial planning process. It was again noted that the Council would be expected to continue to obtain additional revenue from its differentiated collection of paper and other recyclates, relative to co-mingled collection, even in the case of the loss of recycling credits.
- **Future planning re. refuse and recycling.** It was noted that the current lack of certainty from SCC regarding recycling support and working arrangements presented a challenge for future planning of associated services, particularly significant capital investments such as fleet replacement. It was suggested that the Council consider additional trade waste collecting of paper recyclates as part of its future activities.

RESOLVED that the Quarterly Performance Report (Q4 – January to March 2018) be noted.

11. 5 YEAR PLAN PERFORMANCE REPORT 2017-18

The Committee considered a report on the Council's performance relative to its 5 Year Plan in the 2017-18 municipal year. Four advance questions had been received in relation to the report, and these were tabled at the meeting.

There were a number of questions and comments on the report and advance questions, relating to the following topics:

- **Universal Credit implementation.** Members were advised that the Universal Credit scheme was scheduled to start implementation in the borough in the autumn, as part of a phased roll-out. It was noted that those individuals currently receiving housing benefit, administered by the Council, would be transferred to Universal Credit, administered by the Department of Work and Pension over the course of the implementation period. It was however noted that there would be a significant number of exceptions to this, and that there would therefore continue to be work done by the Council to support those cases.
- **Council income sources.** It was confirmed that the Council's funding was primarily from its component of Council Tax income, supplemented by income from the local component of business rates, investment income, and service charges. It was noted that the Council no longer received any income from revenue support grants.

- **The Corporate Plan Delivery Fund (CPDF).** It was identified that the CPDF provided funding for one-off projects to deliver its corporate plan, outside of the main revenue and capital programmes. The fund was identified to be spent in consultation with the Leader, with spending reported to Members. Members were advised that CPDF spending in 2018-19 would therefore be confirmed when proposals had been considered for approval. It was noted that the monies for the fund were provided either from budget underspends or from reserves.
- **Communications Costs.** It was confirmed that costs relating to the communication and engagement strategy, Borough News, and residents' survey were primarily staff costs, and an assessment of the direct cost of these components would therefore require work in consultation with the communications team to estimate proportions of time spent supporting these areas. It was requested that an approximate assessment of these costs be conducted, where practical.
- **Apprenticeships.** A query was raised regarding the Council's use of available apprenticeships funding. It was confirmed that the Council used available funding to support apprenticeship support where applicable, and also carried out other activities to support borough residents into employment.
- **Parks & Open Spaces – Bird Boxes.** Cllr Essex declared a non-pecuniary interest as a director of the Furnistore charity, which worked with the Men in Sheds programme, and offered a point of clarification that work on bird boxes for the Earlswood Lakes site had been undertaken at the Redhill site.

RESOLVED that the 5 Year Plan Performance Report 2017-18 be noted.

12. ANNUAL INTERNAL AUDIT REPORT 2017-18

The Committee considered the Annual Internal Audit Report for the 2017-18 municipal year. One advance question was received in relation to the report, and this was tabled at the meeting.

There were a number of questions and comments on the report, relating to the following topics:

- **Southern Building Control Partnership.** It was noted that the Southern Building Control Partnership had been established in conjunction with Tandridge District Council (TDC) to address the challenges faced by individual councils attempting to operate building control services. It was identified that the partnership had experienced a number of performance issues in the approximately eighteen months since its establishment, including a selection of IT issues. It was noted that these issues were being reviewed, but were yet to be resolved. The Leader advised that he would be discussing the matter as part of a forthcoming meeting with the Leader of TDC. It was noted that a number of lessons had been learned from the process to date, including awareness of the challenges of operating joint services, and the importance of determining the objectives and limitations of projects undertaken. A number of Members commented that they had received a high quality service when dealing with the building control partnership.

- **Main Accounting.** It was noted that the details of the high priority action resulting from the audit of main accounting would be confirmed following the meeting.
- **Car Parking.** It was noted that the auditor's report did not reference an executive lead for the car parking audit, and that this would be clarified for future reports.

RESOLVED that the Annual Internal Audit Report 2017-18 be noted.

13. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules.

14. ANY OTHER URGENT BUSINESS

There was no other urgent business.

The Meeting closed at 10.13 pm



Subject:	Quarterly Performance Report (Q1 – April to June 2018)
Officer:	Jocelyn Convey
To:	Overview and Scrutiny Committee, 6 September 2018
Purpose:	To consider the key service performance for the first quarter of the year 2018-19.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 1.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following Annexes:

Key Performance Indicators	Section 1
Revenue Budget Monitoring	Section 2
Capital Budget Monitoring	Section 3
Risk Management	Section 4
Internal audit	Section 5

Recommendation

The Committee is requested to review the performance update, consider any advance questions received in relation to strategic issues and make any observations to the Executive.

Section 1

KEY PERFORMANCE INDICATORS

Headline Information

Of the 14 Key Performance Indicators reported this quarter, 8 are on target or within the agreed tolerance. The data for KPI 14 (recycling rate) is available retrospectively, with Q1 data available in Q2. As such, performance for Q4 2017/18 is reported this quarter, and is in excess of the target set.

KPIs 4-8 are contextual homelessness indicators introduced to reflect the changes required by the Homelessness Reduction Act (2017). As the impact of the new legislation is uncertain, no target has been set for these indicators this year. Performance this year will therefore inform targets for next year.

Major variances (those off target)

KPI 3 - Number of affordable homes	
Target	Actual
25	8

Management comments/actions:

Although the status for this indicator is red, achieving this target falls outside the control of the Council, instead being dependent on the performance of private developers.

Total number of affordable dwellings under construction: 69

Number of affordable dwellings commenced in Q4: 15.

eMembers room information

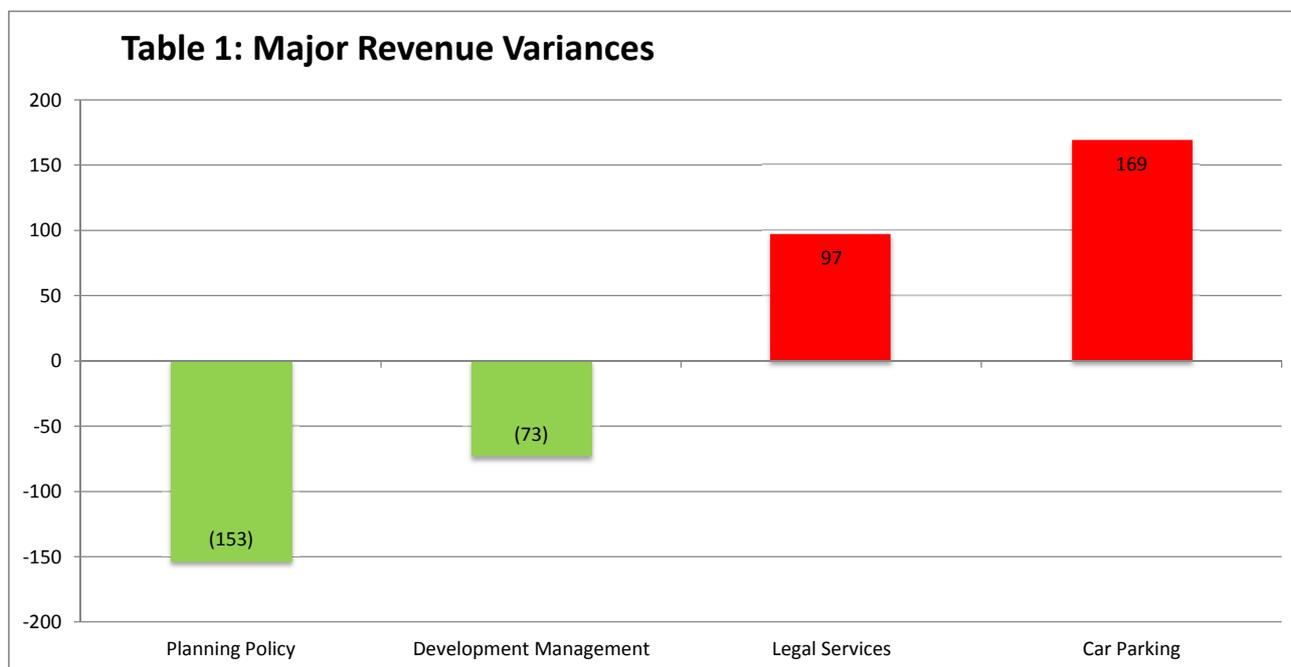
A copy of the full schedule can be found in the eMembers room.

REVENUE BUDGET MONITORING

SECTION 2

Reconciliation of Original Budget to Management Budget for 2018-19			
		£'000	£'000
Original Budget			15,494.5
Transfers from Reserves:			
	Corporate Plan Delivery Fund	1,653.1	
	Allocation of CIL funds	100.1	
			<u>1,753.2</u>
Management Budget			<u><u>17,247.7</u></u>

Headline Revenue Budget information 2018-19		£'000
Management Budget		17,247.7
Forecast Year End Outturn		17,344.5
Projected overspend		96.8 (or 0.6% of the budget)



Major Variances

Planning Policy:

Forecast underspend relates to posts created in the business plan that are currently vacant, mainly pending work programming, in line with Corporate Priorities.

Development Management:

Income from planning fees continues to remain buoyant with a surplus over the budget being forecast at this stage.

Legal Services:

Legal overspend of £70k relates to a reliance on locum staff and external advice to deliver the service. Land charges income still under recovered against budget by £27k.

Car Parking:

In 2017-18 parking ticket receipts (PCN) were lower than budget levels and the profile of receipts in 2018-19 so far, is similar. In addition there has been the loss of the contract fee for providing Tandridge DC with their off-street enforcement. A growth bid for this loss of income from TDC will be requested in the 2019/20 budget setting round.

eMembers Room Information

Further information has been provided in the eMembers' room to support the Committee's consideration of the monitoring report as follows:

- Impact on Reserves
- Budget Monitoring Summary
- Key Variances

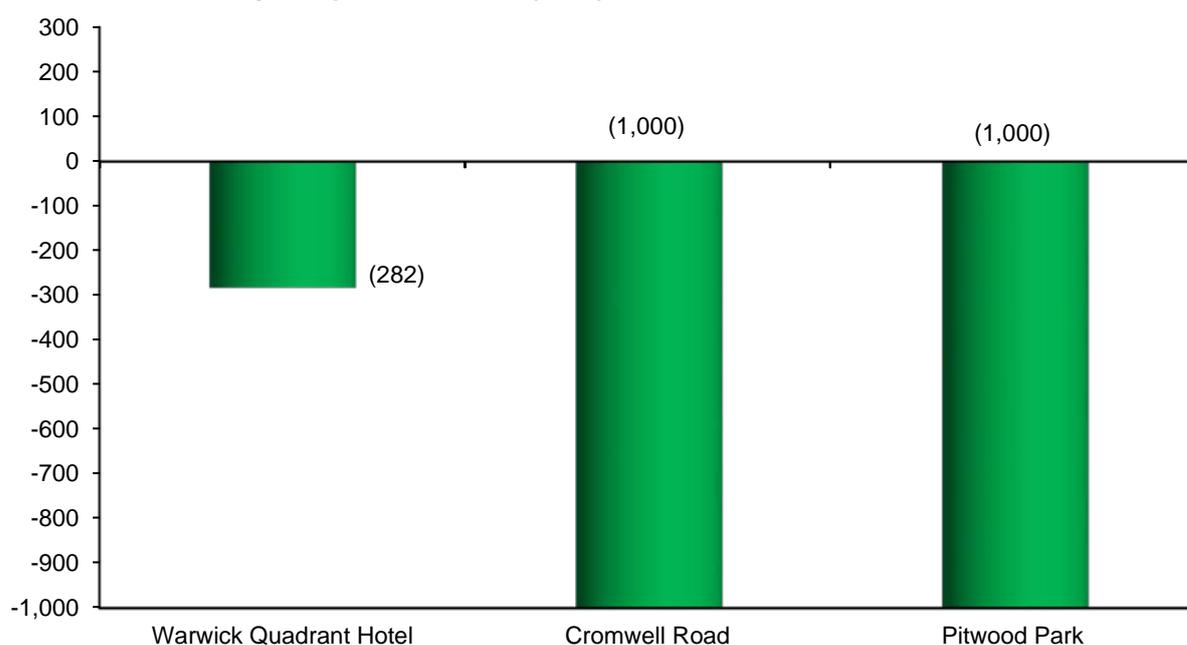
CAPITAL BUDGET MONITORING

Section 3

Headline Capital Budget Information, Quarter 1 2018/19

Current Budget:	£11,769,200	
Forecast Expenditure:	£8,687,200	
Projected Underspend:	£3,082,000	(or 26.19% of budget)

Table 1: Major Capital Variances (£000)



Major Variances

Warwick Quadrant Hotel: £282k is currently being reported as an anticipated underspend; following the expected completion of all snagging in 2018/19.

Cromwell Road: Planning decision due to be made 5th September 2018 at which point the design team will be selected. Demolition of the buildings is expected to be carried out in December 2018 and the construction tender to be finalised by February 2019. Start on site is planned for Q1 2019/20 therefore the budget will be re-profiled to the next financial year.

Pitwood Park: Planning, demolition, design team selection and start on site is expected to follow the same time scales as Cromwell Road (above). However, the V&A have shown interest in the door panels and some other structural items and intend to visit the site prior to demolition to salvage these items. It is not expected to cause any delay in the demolition of the existing building or have an impact on the next stage of the development. Start on site is scheduled to commence in Q1 2019/20, as such the budget will be profiled to the next financial year.

eMembers Room Information

Further information has been provided in the eMembers' room to support the Committee's consideration of the monitoring report as follows:

- Reconciliation of Capital Programme to Approved Budget
- Budget Monitoring Summary

Section 4

RISK MANAGEMENT

A risk management update is not provided in this quarter.

No new strategic risks were identified in Q1.

Section 5

INTERNAL AUDIT

Background

The annual Audit Plan is agreed by the Overview and Scrutiny Committee.

SCORING

<p>RED</p>	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>AMBER/ RED</p>	<p>Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
<p>AMBER/ GREEN</p>	<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
<p>GREEN</p>	<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

Headline Information

During the last quarter the following 2 internal audits have been completed:

Name of Audit	score
Dog Warden	Amber / Green
Property Maintenance	Green

Recommendations with a high priority

None

Management action

N/A

eMembers room information

Copies of the individual audit reports are available on eMembers

Agenda Item 6

Overview & Scrutiny Committee
6 September 2018

Agenda Item: 6
ISA 260 External Audit Report 2017/18



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHORS:	Jocelyn Convey
TELEPHONE:	01737 276560
E-MAIL:	Jocelyn.Convey@reigate-banstead.gov.uk
TO:	OVERVIEW & SCRUTINY
DATE:	6 September 2018

SUBJECT:	ISA 260 EXTERNAL AUDIT REPORT 2017/18
RECOMMENDATION: To note the report from the Council's External Auditors, KPMG, which summarises the conclusions and significant issues arising from the audit of the 2017/8 Annual Financial Report.	
SUMMARY: Attached as Annex 1 is the cover report received by the Executive on 19 July 2018. Attached as Annex 2 is the External Audit Report for 2017/18, as received by the Executive on 19 July 2018. Attached as Annex 3 is the Management Representation Letter for 2017/18, as received by the Executive on 19 July 2018. The Executive was requested to note the report of the External Auditors and to agree the Management Representation Letter as part of the standard audit process. The Overview and Scrutiny Committee is requested to note the findings of the External Auditor on the Council's Annual Financial Report for the financial year 2017/18, as set out in Annex 1.	

REPORT OF:	HEAD OF FINANCE (CFO)
AUTHOR:	Joss Convey
TELEPHONE:	01737 276341
E-MAIL:	Jocelyn.convey@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	19 JULY 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	REPORT FROM THE EXTERNAL AUDITORS (ISA 260 REPORT)
RECOMMENDATIONS:	
<p>(i) That the report from the external auditors (ISA 260) on the 2017/18 audit be noted. (Annex 1 to follow)</p> <p>(ii) That the Management Representation Letter be agreed and signed by the Leader. (Annex 2 to follow)</p>	
REASONS FOR RECOMMENDATIONS:	
<p>The Executive is responsible for corporate governance. How we utilise and account for resources is intrinsic to good governance.</p>	
EXECUTIVE SUMMARY:	
<p>The report from the Council's external auditors (KPMG) summarises the conclusions and significant issues arising from the audit of the 2017/18 Annual Financial Report. This report is appended as Annex 1 (to follow pending completion of the audit by our external auditors). The information will be published with an addendum to the agenda.</p> <p>The agreement of the Management Representation Letter is part of the standard audit process. This letter is set out in Annex 2 (to follow pending completion of the audit by our external auditors). The information will be published with an addendum to the agenda.</p>	

Executive has authority to approve the above recommendations.
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STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. The *International Standard on Auditing 260* ("ISA 260 - Communication of audit matters to those charged with governance") provides standards and guidance on the communication of audit matters between the auditor and those charged with governance.

3. Under the Council's Constitution this function has been delegated to the Executive.

ISSUES

4. The External Auditors are required to issue the Council with an ISA 260 report following the completion of the work they have done in auditing the Council's 2017/18 Statement of Accounts.
5. The report is attached as Annex 1 (to follow). In particular, Member's attention is drawn to the auditors key messages set out at the beginning of their report.
6. For 2017-18, under the Accounts and Audit Regulations 2015, the date by which principal local authorities must publish their accounts along with the auditor's opinion moves forward by two months to 31 July 2018.
7. Officers have worked closely with KPMG (our external auditors) to meet this date. Our external auditors are expected to provide the final report (ISA 260) pending completion of the audit. The information will be published with an addendum to the agenda.

LEGAL IMPLICATIONS

8. There are no legal implications.

FINANCIAL IMPLICATIONS

9. There are no direct financial implications.

EQUALITIES IMPLICATIONS

10. There are no equalities implications.

COMMUNICATIONS IMPLICATIONS

11. There are no communications implications.

CONSULTATION

12. The Executive Member for Finance was consulted during the preparation of this report.

POLICY FRAMEWORK

13. There are no policy issues to raise as part of this report.

Background Papers: [Executive 19 July 2018 Statement of Accounts 2017/18](#)



External Audit Report 2017/18

DRAFT

Reigate and Banstead Borough Council

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July 2018

Content

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Important notice

1. Summary

2. Financial statements audit

3. Value for money conclusion

Appendices

- 1 Recommendations raised and followed up
- 2 Materiality and reporting of audit differences
- 3 Audit differences
- 4 Audit independence
- 5 Audit quality framework

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This report is addressed to Reigate and Banstead Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Joanne Lees, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to Reigate and Banstead Borough Council (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Executive Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Executive Committee meeting. The following work is ongoing:

- Financial statements audit:
 - PPE (one samples for additions outstanding and review of the basis of the revaluation split from the external valuers report)
 - Pensions (awaiting final confirmation from Pensions auditors)
 - Related party disclosures (query with management over including presentations)
 - Final review of the accounts
 - Receipt of management representations letter

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements for the deadline of 31 July 2018, following the Executive Committee adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There was one unadjusted audit differences, explained in section 2 and appendix 2.
- We identified four primary statement changes and presentational changes to the accounts, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- In addition to our routine requests we are asking for management representations over the following, which are explained in section 2:
 - Valuation of land and buildings
- We will report that your AGS complies with delivering Good Governance guidance issued by CIPFA / SOLACE in April 2016.

30 We reviewed the narrative report and have no matters to raise with you.

- We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our completion certificate on 30 July 2018. We also intend to issue our 2017/18 Annual Audit Letter in September 2018.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 31 July 2018.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.).

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

We have raised two recommendations this year in relation to your bank reconciliation and the process for including the figures from your PPE valuers report into your fixed asset register.

We identified one prior year recommendations that require further action by Management and has been raised again this year. All recommendations are shown in appendix 1.

We undertake other grants and claims work for the Authority which fall under the PSAA arrangements. The status of our grants and claim work is summarised below:

- BEN01 Housing benefit certification: audit fieldwork will commence in August 2018 and be completed in advance of the PSAA 30 November 2018 deadline.

The fees for this work is explained in section two.

Financial statements audit

We audit your financial statements by undertaking the following:

Work Performed	Accounts production stage		
	Before	During	After
1. Business understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

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We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made two recommendations which relates to the bank reconciliation and the process for updating your FAR with your external valuation figures. We believe that this recommendation (see appendix 1) will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Finance Manager and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails in the majority of areas.

Financial statements audit

4. Accounting standards	<p>We work with you to understand changes to accounting standards and other technical issues. For 2017/18 these changes related to:</p> <ul style="list-style-type: none"> • Updates to the presentation of the Comprehensive Income and Expenditure Statement and the Movements in Reserves Statement and the introduction of the new Expenditure and Funding Analysis: No issues were found as a result of our audit; and • Amended guidance on the Annual Governance Statement: No issues were found as a result of our audit.
5. Accounts Production	<p>We received complete draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.</p> <p>The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year-end to proactively address issues as they emerge. We consider that the overall process for the preparation of your financial statements is adequate. The areas which you need to pay particular attention to are ensuring reconciling items as per your bank reconciliations have a clear audit trail. We consider the Authority's accounting practices to be appropriate.</p> <p>We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe</p>
6. Testing	<p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. We have identified presentational changes to the accounts along with audit adjustments to PPE and investment properties which we have presented in Appendix 2.</p>
7. Representations	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Head of Finance on 10 July 2018. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. . We are asking Management to provide specific representations on:</p> <ul style="list-style-type: none"> • Valuation of land and buildings.

Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over valuation of land and buildings and pension liabilities which were identified as significant risks within our audit plan and which will form a part of our audit opinion;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

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Financial statements audit

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
<p>Valuation of land and buildings</p> <p>35</p>	<p>£113,127k, PY: £113,564k</p>	<p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end. The procedures we undertook to address this included:</p> <ul style="list-style-type: none"> ▪ We reviewed the approach that the Authority adopted to assess the risk that the assets that were not subject to valuation could be materially misstated and considered the robustness of that approach. ▪ We considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values had moved materially over that time. ▪ In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate. ▪ We assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions). <p>As a result of this work we determined that there was one adjustment required in relation the primary financial statements as detailed in appendix 3 and a small number of presentational adjustments.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 13</p>

Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Pension liabilities	(£71,124k), PY: (£70,518k)	<p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Surrey County Council, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p> <p>Our procedures in respect of this risk included:</p> <ul style="list-style-type: none"> ▪ We have written to the Fund Auditors to seek assurance over the controls and processes in operation at the Pension Fund ▪ We reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary (Hymans Robertson), including the Authority's process and controls with respect to the assumptions used in the valuation. ▪ We evaluated the competency, objectivity and independence of Hymans Robertson. ▪ We reviewed the appropriateness of the key assumptions included within the valuation and compared them to expected ranges. We also reviewed the methodology applied in the valuation by Hymans Robertson. ▪ We reviewed the overall actuarial valuation and considered the disclosure implications in the financial statements. <p>As a result of this work we determined that the pensions liabilities stated in the financial statements are appropriate and in line with our expectations.</p> <p>We have set out our view of the assumptions used in valuing pension liabilities at page 14.</p>

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Financial statements audit

Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
<p>Faster close</p> <p>37</p>	<p>N/A</p>	<p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.</p> <p>We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was consistent with that of prior years. A small number of adjustments were required, including four which impacted on the primary financial statements.</p> <p>In a number of areas the Authority made increased use of estimates. In these areas we considered the assumptions used and challenged the robustness of those estimates.</p> <p>As a result of this work we did not identify any significant issues relating to the Authority completing a faster close.</p>

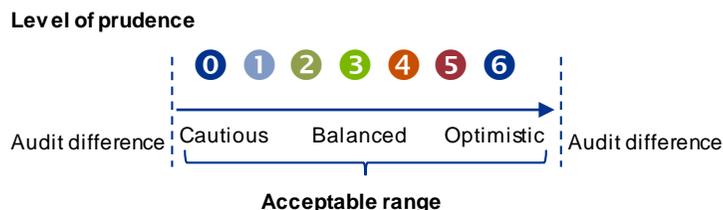
Financial statements audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
Fraud risk from revenue recognition	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We do not consider this to be a significant risk for the majority of the Authority's income as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk for Council Tax, Business Rates, Housing rents, annual central Government grants and social services income and do not incorporate specific work into our audit plan in these areas over and above our standard fraud procedures. However, we do consider it for income relating to commercial revenue streams and will review these if they are material.</p>	Our review of your commercial revenue streams confirmed these were not material and therefore no further work has been completed.
Fraud risk from management override of controls	<p>Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>In line with our methodology, we will carry out appropriate controls testing and substantive procedures, over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	There are no matters arising from this work that we need to bring to your attention.

Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



Assessment of subjective areas				
Asset/liability class	Current year	Prior year	Balance (£m)	KPMG comment
Land and Buildings and investment properties	3	3	L&B: £109.2m (PY: £109.4m)	The Authority utilise an external valuer, Wilkes, Head and Eve (WHE), to value their land, buildings and investment properties. All land and buildings are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended. All assets are subsequently measured at fair value, as part of a rolling revaluation programme which ensures that all assets are revalued within a five year period.
			IP £66.1m (PY: £47.1m)	Land and buildings are valued at fair value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV). These methods are in line with the Code of Practice on Local Authority Accounting 2017/18 and the RICS Red Book. Investment properties are valued 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. This valuation basis is in line with the Code of Practice on Local Authority Accounting 2017/18 and the RICS Red Book. Our audit work has included a detailed consideration of the valuation basis used and review of the WHE valuation reports by KPMG's expert valuer. From our work we have assessed the judgements made in the valuation of land, buildings and investment properties to be balanced.

Financial statements audit

Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
Debtors provisioning	3	3	£2.3m (PY:£2.2m)	<p>The Authority has recorded a provision for impairment of receivables of £2.3m for 2017/18 (£2.2m in 2016/17). Of this, the largest individual amount relates to Housing Benefits overpayment provisions, which are provided on the basis of 5% for those debts under one year old, and 100% for debts over one year old, which is consistent with the prior year. Other than Housing Benefits, other debtors provisions are maintained for Council Tax and NNDR debts, which have been maintained at consistent levels in 2017/18 as in previous years.</p> <p>Our procedures here have focussed on sample testing of individual bad debt provisions, as well as a variance analysis to ensure completeness, and enquiries of Management.</p> <p>From our work we have assessed the judgements made in the valuation of debtors and associated provisions to be balanced.</p>
Pension liability	3	3	£71.1m (PY:£70.5)	<p>In the previous year, the Local Government Pension Scheme for Surrey County Council (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The pension liability numbers to be included in the financial statements for 2017/18 are based on the output of the triennial valuation rolled forward to 31 March 2018. For 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>Our procedures here focussed on ensuring that the information provided to Surrey County Council Pension Fund were complete and accurate, and ensuring that the assumptions applied by the expert actuary Hymans Robertson were appropriate. We utilised KPMG's expert actuary to review the pensions valuation and the assumptions incorporated within it.</p> <p>From our work we have assessed the judgements made in the valuation of pensions to be balanced.</p>

Financial statements audit

Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
Creditor accruals	3	2	£4.3m (PY £4.4m)	<p>The Authority recorded creditor accruals of £4.3m for 2017/18 (£4.4m in 2016/17). In most cases, the Authority will make significant judgements when calculating estimates for accruals, as information about actual amounts owed were not available at 31 March 2018. Accruals are based on estimates and judgements of historical trends and anticipated outcomes. At the end of each accounting period, Management reviews outstanding items and estimates amounts to be accrued. Any variation between the estimate and the actual is recorded under the relevant heading in the accounts in the subsequent financial period.</p> <p>Our procedures focussed on considering the nature of accruals, selected on a sample basis, and whether the Authority has calculated the accrual using relevant supporting documentation and reasonable assumptions. In addition we have undertaken a retrospective review of accruals made in 2016/17 and agreed them to subsequent cash payments in 2017/18, to support the accuracy of methodologies to accrue expenditure.</p> <p>We consider the level of prudence in relation to accruals balances to be balanced.</p>
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Financial statements audit

Group audit

To gain assurance over the Authority's group accounts, we placed reliance on the work completed by Kreston Reeves on the financial statements of the Authority's subsidiary Greensand Holdings Limited, as a material component.

There are no specific matters to report pertaining to the group audit. There were no issues to note in relation to the consolidation process.

Narrative report of the Authority

We have reviewed the Authority's narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Queries from local electors

We did not receive any questions or objections from members of the public this year.

Audit certificate

We have completed all our responsibilities in relation to the audit of the accounts for the year end 31 March 2018 and anticipate issuing our audit certificate with our audit opinion.

Audit fees

Our fee for the audit was £48,812 excluding VAT (£48,812 excluding VAT in 2016/17). This fee was in line with that highlighted in our audit plan approved by the Executive Committee in April 2018.

Our work on the certification of Housing Benefits (BEN01) is planned for August 2018. The planned scale fee for this is £9,768 excluding VAT (£12,079 excluding VAT in 2016/17).

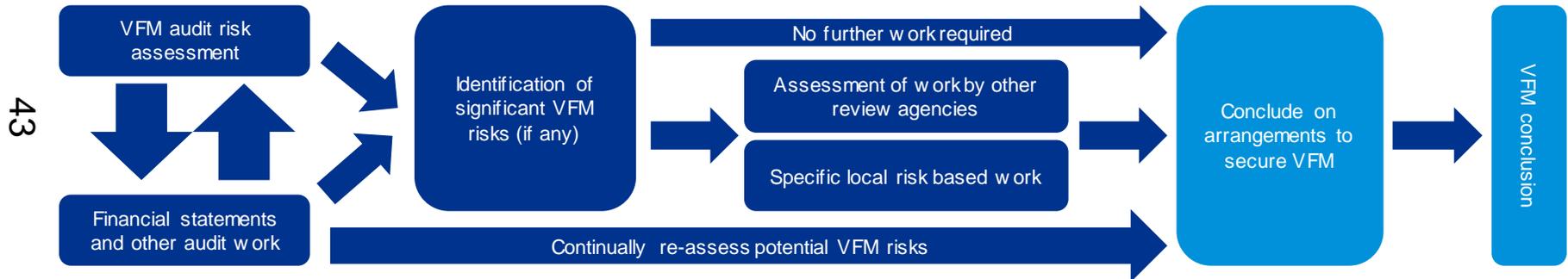
We have not completed any non-audit work at the Authority in the year.

Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:



We did not identify any significant VFM risks and provide a summary below of the other areas of audit focus arising from our VFM work. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

Value for money

Other areas of audit focus

Below we set out the detailed findings against other areas of audit focus for our VFM work.

VFM: other area of audit focus	Our audit response and findings
<p>Budget performance</p>	<p>For 2017/18 the Authority represented a budget which required savings of just over £1.5m. Despite continued challenging economic and market conditions in 2017/18 the Authority achieved a net revenue underspend of £850k and a net capital underspend of £2.6m against a forecast of £16.2m and £23.4m respectively.</p> <p>The Authority's budget for 2018/19 was approved at the Council meeting in November and result in a net budget for 2018/19 of £15.5m. The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £2.6 million will be required in 2019/20 to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p> <p>Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. The Authority reported an overall underspend of £0.8 million on its net expenditure budget for 2017/18 after the net contribution of £1.2 million from earmarked reserves. This enabled the General Fund balance to remain at £12.5 million as of 31 March 2018.</p> <p>The Authority's MTFP details a balanced budget for 2018/19 including savings of £0.62m million in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified. We carried out testing a number of the Authority's saving schemes and have found that whilst overall there are good-quality schemes and robust reporting, the Authority has further opportunities to leverage synergies between individual schemes to achieve greater savings.</p>

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Recommendations raised and followed up

Recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
45 1	2	<p>Bank reconciliations</p> <p>In the prior year our audit identified a number of weaknesses in bank reconciliations undertaken by the Authority. These included four out of five accounts had not been effectively reconciled in year, with either high value erroneous reconciling items identified, reconciliations not being completed correctly, delays in the preparation of the year end bank reconciliation (and included errors as part of our testing in 2016/17) and difficulties in identifying what reconciling items related to.</p> <p>For 2017/18, we identified that reconciliations were completed for four out of the five bank accounts. All four were the expenditure accounts used by the Authority. For one of the four accounts management were unable to provide supporting documentation for five samples of the reconciling items noted. This included not being able to find the expenditure leaving the bank account for three of the five samples. The total balance of these five items £612,235. We have included this as a unadjusted audit difference in our findings.</p> <p>For the fifth account, the 'general account', which is the income account, although reconciliations are being completed there are still unreconciled items, which management are unable to individually identify. We note, management have been working with their IT team to understand the differences, which are believed to be timing differences, but have not been able to resolve the matter for the 2017/18 financial year.</p> <p>Continued on next page</p>	

Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date
Financial statements			
46	2	<p><i>Recommendation</i></p> <p>Regular effective reconciliations of the bank account to the general ledger are an essential internal control which enables any discrepancies with regards to cash to be identified and resolved in a timely manner. When reconciling items are identified, they should then be investigated and cleared on a monthly basis.</p> <p>We therefore recommend that management continue to review the reconciling balances with their IT team and also with their external systems supplier in order to understand what the reconciling income balance consists of.</p> <p>In addition, management should review their reconciling items to confirm they have supporting documentation for all items within the reconciliations produced. Management should also review the processes in place for ensuring there is an audit trail for expenditure which has occurred.</p>	
	2	<p>Review between FAR and the external valuers report</p> <p>Our review of the FAR and external valuers report identified six PPE assets and four investment properties where the FAR did not agree to the value provided in the valuation report, resulting in audit adjustments to the core financial statements.</p> <p><i>Recommendation</i></p> <p>We recommend that management complete a review of the FAR to the external valuers report as part of the accounts compilation process.</p>	

Recommendations raised and followed up

We have followed up the recommendations from the prior year's audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
4	3	1

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
1	2	<p>Bank reconciliations</p> <p>Our audit identified a number of weaknesses in bank reconciliations undertaken by the Authority. We identified that:</p> <p>Our interim audit in March 2017 identified that the bank reconciliation control had not operated effectively throughout the year. Testing of the reconciliations of the five bank accounts showed that four of the accounts had not been effectively reconciled in year, with either high value erroneous reconciling items identified, or reconciliations not completed correctly.</p> <p>The year end bank reconciliation for March 2017 was not prepared until 12/05/17, and was subsequently not reviewed until 06/07/17, two working days before the year end audit began.</p> <p>The year end audit identified a total of 6 erroneous reconciling items contained within the bank reconciliations. These included items which had been reconciling items for some time but which had not been appropriately investigated and cleared. Of these erroneous items, 3 items resulted in adjustments to the financial statements.</p> <p>Audit queries during the final accounts audit identified that the Finance Team did not know what all reconciling items related to, and investigation was required to establish the genesis and nature of transactions once queries were raised by KPMG.</p>	<p>Agreed</p> <p>To improve the bank reconciliation control process, Reigate & Banstead BC will:</p> <p>Utilise external advice to redesign the bank reconciliation control process.</p> <p>Prepare the bank reconciliation on a monthly basis</p> <p>Due Date: December 2017</p> <p>Identify, investigate and resolve discrepancies on a monthly basis</p> <p>Improve Finance Team understanding of the control process</p> <p>Due Date: March 2018</p> <p>Officer responsible: Head of Finance</p>	<p>In progress:</p> <p>Reigate & Banstead BC has made significant improvements to its bank reconciliation process. Redesign work is complete within existing systems. Further systems enhancements requiring investments are being considered. The Council has worked with external providers to test process and controls, and redesign work is ongoing. The Finance Team have developed, documented and agreed a new extended control process.</p> <p>This recommendation has been re-raised in 2017/18.</p>

Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
Financial statements				
1	2	<p>Bank reconciliations contd..</p> <p><i>Recommendation</i></p> <p>Regular effective reconciliations of the bank account to the general ledger are an essential internal control which enables any discrepancies with regards to cash to be identified and resolved in a timely manner. When reconciling items are identified, they should then be investigated and cleared on a monthly basis.</p> <p>We therefore recommend that management perform bank reconciliations on a monthly basis, to ensure that any discrepancies are identified and resolved in a timely manner. These bank reconciliations should be separately prepared and authorized to ensure sufficient segregation of duties, and all reconciling items should be investigated and cleared on a month by month basis.</p>		

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Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you in April 2018.

Materiality for the Authority's accounts was set at £2 million which equates to around 2% of gross expenditure.

Materiality for the group accounts was set at £2 million which equates to around 2% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to Executive Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Executive Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £103k for the Authority and less than £103k for the group accounts.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Executive Committee to assist it in fulfilling its governance responsibilities.

Audit differences

Adjusted audit differences

To assist the Executive Committee in fulfilling its governance responsibilities we present in the tables below a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Authority adjusted audit differences (£'000)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1	Dr £1,551k		Cr PPE £1,991k		Dr RR £440k	We identified six assets where they were recorded as having a £NIL value in the valuers report but had a value in the FAR.
2	Dr £1,793k Cr £1,760k		Cr IP £1,758k Dr IP £1,760k			Three adjustments were identified in relation to Investment Properties 1) One assets which was recorded as having a £NIL value in the valuers report but had a value in the FAR (£33k value). 2) One asset (£1,725k) which was disposed of in the previous year and had been included in the FAR for 2017/18 and final accounts. 3) One asset valued which was not recognised in the FAR in the previous year. In 2017/18 it was identified as an asset omitted from the FAR and therefore included by creating a low value asset (of £1) and revalued by the valuers to £1,720k.
3	Cr Expenses £667k			Dr Creditors £667k		This resulted from an error in the calculation.
4			Cr Long Term investments £1,125 Dr Short term investments £1,100 Dr Debtors £25			Following the end of the reporting period, the ownership structure of Pathway for Care changed. The decision relating to this was made prior to the year end and therefore the long-term investment required reclassification to short term.

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Executive Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Executive Committee, details of all adjustments greater than £103K are shown below.

Authority unadjusted audit differences (£'000)						
#	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Comments
1	Dr Expenditure £612k		Cr £612k			We identified five samples in as part of our bank reconciliation review where there was no supporting evidence for the expenditure which had occurred. In addition, for three of the samples there Authority were unable to provide the bank statement which showed the cash leaving the bank.
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Audit differences

Presentational adjustments – Authority

We identified presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). Whilst the majority of these adjustments were not significant, we identified a limited number of adjustments of a more significant nature and details of these are provided in the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments – Authority	
#	Basis of audit difference
1	Senior officer remuneration - only three senior officers remuneration have been disclosed in final accounts whereas all 'senior employees' with salaries over £50,000 should be disclosed.

Audit independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF REIGATE AND BANSTEAD BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

5 General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate.

We are satisfied that our general procedures support our independence and objectivity

Audit independence

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period below and on page 27. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	48,812	48,812
Total audit services	48,812	48,812
Mandatory assurance services	9,768	12,079
Total Non Audit Services	9,768	12,079

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of audit fees to non-audit fees for the year was 5:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole. We confirm that all non-audit services were approved by the Executive Committee or equivalent.

Audit independence

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table below:

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	0	9,768

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Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period.

Contingent fees

We have not agreed any contingent fees with the Authority.

Audit independence

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Executive Committee

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

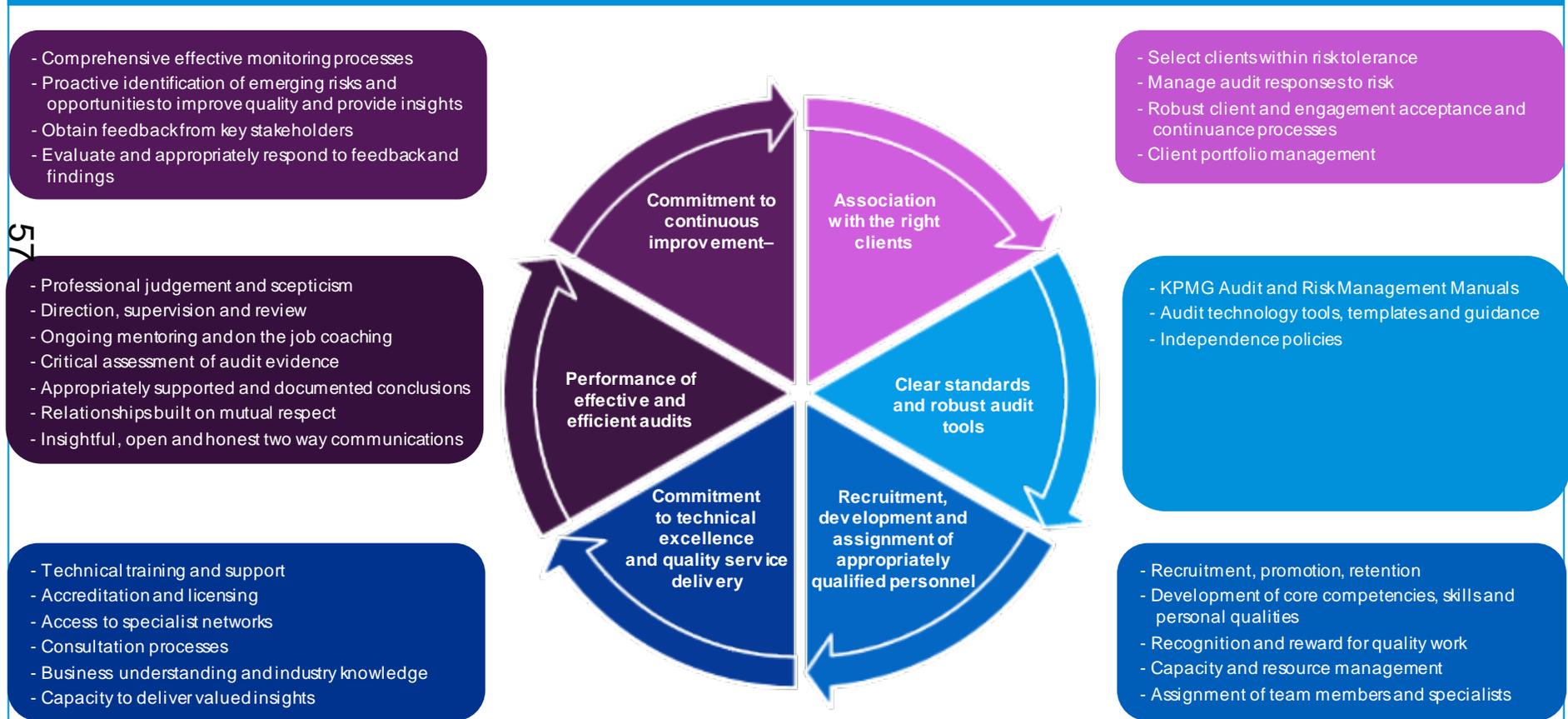
This report is intended solely for the information of the Executive Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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(Letterhead of Client)

*KPMG LLP
15 Canada Square
London
E14 5GL*

19 July 2018

Dear Joanne

This representation letter is provided in connection with your audit of the financial statements of Reigate and Banstead Borough Council (“the Authority”), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, and the Collection Fund and the related notes

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and the Group’s expenditure and income for the year then ended;
 - ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2018, other than liabilities to pay pensions and other benefits after the end of the scheme year;
 - iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the

Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

12. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

14. The Authority has included £111.1m of land and buildings within its financial statements. The Authority confirms it is satisfied with the valuation of land and buildings included on the balance sheet as at 31 March 2018

This letter was tabled and agreed at the meeting of the Audit Committee on 19 July 2018.

Yours faithfully,

Draft

Appendix to the Authority Representation Letter of Reigate and Banstead Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Agenda Item 7

Overview & Scrutiny Committee
6 September 2018

Agenda Item: 7
Annual Governance Statement 2017/18



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHORS:	Jocelyn Convey
TELEPHONE:	01737 276560
E-MAIL:	Jocelyn.Convey@reigate-banstead.gov.uk
TO:	OVERVIEW & SCRUTINY
DATE:	6 September 2018

SUBJECT:	ANNUAL GOVERNANCE STATEMENT
RECOMMENDATION: To note the Council's Annual Governance Statement, as considered by the Executive on 21 June 2018, and included in the Council's Statement of Accounts for 2017/18.	
SUMMARY: Attached as Annex 1 is the report received by the Executive on 21 June 2018. The Executive was requested to endorse the Annual Governance Statement prior to its inclusion in the Council's Annual Statement of Accounts for 2017/18. The Overview and Scrutiny Committee is the Council's Audit Committee, and is therefore also requested to note the report, which is produced in in line with the Accounts and Audit Regulations 2015.	



REPORT OF:	HEAD OF FINANCE
AUTHOR:	JOSS CONVEY, HELEN STOCKER
TELEPHONE:	01737 276341
E-MAIL:	Jocelyn.Convey@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	21 JUNE 2018
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	ANNUAL GOVERNANCE STATEMENT
RECOMMENDATION:	
(i) That the Annual Governance Statement set out in Annex 1 be endorsed.	
REASONS FOR RECOMMENDATIONS:	
To seek Executive endorsement of the Council's Annual Governance Statement before it is included within the annual Statement of Accounts.	
EXECUTIVE SUMMARY:	
The Council is required to publish an annual statement on its corporate governance arrangements. This should accompany the Council's annual Statement of Accounts. Statutory regulations recommend that the body charged with overall responsibility for governance within the Council should review and endorse the statement prior to its formal signature by the Leader of the Council and the Chief Executive.	

Executive has authority to approve the recommendation.

STATUTORY POWERS

1. The *Accounts and Audit Regulations 2015* require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is known as the Annual Governance Statement (AGS).

BACKGROUND

2. The Accounts and Audit Regulations require that the AGS accompany the Council's annual Statement of Accounts.
3. The *Code of Practice on Local Government Accounting* recommends that the Statement should be endorsed by a body within the Council that is responsible for

overall corporate governance. Under the Council's Constitution, that responsibility sits with the Executive.

4. The Code also recommends that the AGS should then be formally signed by the Leader of the Council and the Chief Executive.

GOVERNANCE STATEMENT

5. The Statement is compiled from the following sources of evidence:
 - Annual Internal Auditor Report.
 - External Audit and Inspection Reports.
 - Issues identified from the Council's Risk Registers.
 - Annual assurance statements signed by the Management Team that confirm that the Council has achieved 'best value' and has complied with all relevant legislation, regulations and codes of practice.
6. Based on the above sources of evidence a statement for the year ended 31 March 2018 has been compiled and is attached as Annex 1.

OPTIONS

7. The Executive can accept, reject or amend the contents of the statement in Annex 1.

LEGAL IMPLICATIONS

8. There are no legal implications.

FINANCIAL IMPLICATIONS

9. There are no direct financial implications associated with this report.

EQUALITIES IMPLICATIONS

10. There are no equalities implications.

COMMUNICATIONS IMPLICATIONS

11. There are no communications implications.

CONSULTATION

12. The Executive Member for Finance was consulted during the preparation of this report.

POLICY FRAMEWORK

13. There are no policy issues to raise as part of this report.

Background Papers: None

Reigate & Banstead Borough Council

Annual Governance Statement

1. Scope of Responsibility

Corporate governance describes how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

The changing needs of our residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.

By applying the principles in our Code of Corporate Governance (summarised below) and applying the Principles of Standards in Public Life, we are committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

Our Code of Corporate Governance outlines our governance principles:

- i. Focusing on the Council's purpose and community needs;
- ii. Having clear responsibilities and arrangements for accountability;
- iii. Requiring good conduct and behaviour;
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- v. Developing the capacity and capability of members and officers to be effective;
- vi. Engaging with local people and other stakeholders.

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2015. Compliance with our Code of Corporate Governance is shown on the Council's website in the following areas :

Corporate Governance webpage

Councillor Code of Conduct webpage

Risk Management webpage

2. The Purpose of the Governance Framework

Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

The governance framework has been in place for the year to the date of approval of this annual governance statement.

3. The Governance Framework

Our governance framework comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

These are summarised below:

- Our Five Year Plan and other documents contained in our Budget and Policy Framework that set out priorities and intended outcomes for residents and service users.
- The Executive, Committees and Panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions, as well as stronger governance to support our commercial activities.
- Our arrangements for the oversight and scrutiny of decisions and policy development by Councillors.
- A review of our governance arrangements in 2018 in relation to our changing commercial plans.
- The delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- Our risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Our commercial decisions are subject to due diligence process and risk analysis.
- Our Human Resources Plan, role profiles and codes of conduct which underpin how Members and employees work.
- Our arrangements for consultation and engagement with the community.
- Our independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- The independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests

for information, General Data Protection Regulations and the Local Government Ombudsman;

- Our procedure rules and internal management processes for:
 - Financial management
 - Procurement
 - Project management
 - Information governance & data security
 - Health & safety
 - Decision making
 - Whistleblowing
 - Complaints handling
 - Anti-fraud & corruption

4. Review of Effectiveness

We regularly review the effectiveness of our governance arrangements through the officer Corporate Governance Group, by evaluating our performance against the CIPFA/Solace framework (*Delivering Good Governance in Local Government*) and through independent audit reviews.

Our review of effectiveness considers decisions taken and matters considered by full Council, the Executive, the Management Team, the work of the Overview & Scrutiny Committee, the Corporate Governance Group, internal auditors, work undertaken by external auditors and the opinion of the Local Government Ombudsman.

A self-assessment of our effectiveness

Our planning, performance and risk management framework has enabled us to focus on the delivery of our corporate priorities and provides the Executive and Overview & Scrutiny Committee with the information to check and challenge attainment of our priorities.

An internal audit review of our risk management function was undertaken in 2017/18 which provided full assurance of adherence to our risk strategy.

Executive Members have reviewed the register of the strategic business risks facing the Council and the Overview and Scrutiny Committee has received positive assurances about the operation of the arrangements for identifying and managing risk. Our Investment Strategy will provide a new framework within which all of the Council's investment decisions can be assessed.

Effective financial planning and management

The 2017/18 budget represented a challenge for the Council and required savings of just over £1.5m. Difficult economic conditions created budget pressures but the final outturn was an underspend equivalent to 5% of the budget (£0.849m).

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee, Corporate Governance Group, and the Business Managers Group have remained in place. Given the scale of the financial challenges, the Overview & Scrutiny Committee (and Budget Scrutiny Panel) also reviewed the proposed savings as part of the budget preparation process in Autumn 2017 noting that the proposals were clear, focused, achievable, realistic and based on sound financial practices.

Effective arrangements for accountability

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. All Managers are being asked to participate in a review of document authorisation procedures for decisions made under the scheme to provide a clear description of decision making responsibilities and transparency of our decision making.

The Overview & Scrutiny Committee has agreed the Audit Plan and received independent reports from Internal Audit.

Effective Conduct Arrangements

The Standards Committee has operated in accordance with our published local arrangements, supported by the Monitoring Officer, since the abolition of the statutory requirement to have a Standards Committee.

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. A review of the Code of Conduct is proposed for 2018/19 to ensure it remains fit for purpose.

Our Councillor conduct complaint handling arrangements are approved by the Standards Committee and published on our website. Emphasis is placed on a speedy informal resolution of concerns where possible. A set of principles has been agreed by the Political Group Leaders who work together to support this process. The Monitoring Officer maintains a register of complaints and resolutions and provides, as a minimum, an annual report to the Standards Committee.

Registers of Interest for Elected Members and senior Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

Effective decision making arrangements

Our decision-making arrangements are one of our significant governance controls, linking to all of the governance principles that are set out in our Code of Corporate Governance. We continue to review these key principles on an ongoing basis and will recommend consideration of changes to reflect new working arrangements as identified.

Positive assurances have been given by all Managers and by the Statutory Officers on risk management activities.

Effectively developing skills and capacity

The Council has a Human Resource Plan which sets out the resources required to deliver the Council's priorities and services. Personal development plans and the "talent management" programmes helps to ensure we have in place effective succession planning and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff surveys and an action plan is in place to address the themes emerging from these.

An induction programme is in place for new Councillors and skills training for regulatory functions takes place annually before Members take up places on the Planning and, Licensing and Regulatory Committees. In addition, all Members are briefed on the requirements of the Member Code of Conduct. A variety of learning events take place during the year to ensure that, where needed, Councillors are briefed on new initiatives or legislative changes. The bespoke training and development undertaken in 2017/18 focused on Member communication skills to help to deal with the new way in which Social Media is so immediate in its delivery of news and the need to be able to respond accordingly. Training in 2018/19 will include Local Government Finance Training.

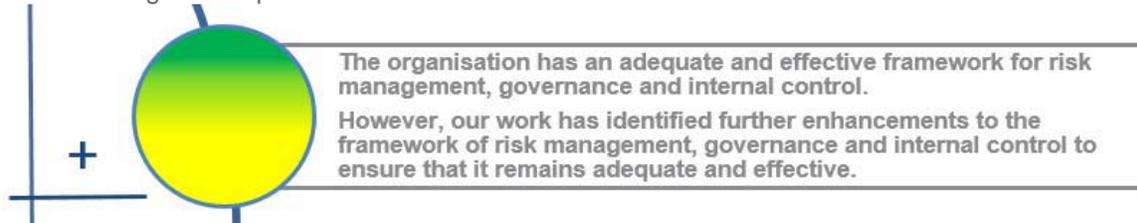
Effective Engagement

Consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions taken by the Council. We have reviewed our approach to engagement and continue to improve our use of digital channels to reach audiences with an improved website and a greater use of social media.

Independent Opinions on Effectiveness

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2017/18 included the following:

“For the 12 months ended 31 March 2018, the head of internal audit opinion for Reigate and Banstead Borough Council is as follows. This is consistent with the prior year and reflective of the balance of individual assignment opinions.



The Annual Audit Letter (from our external auditors - KPMG) summarises the finding of the audit of the Council each year. The last letter received by the Council, in October 2017, in respect of the 2016/17 financial year contained the following conclusions:

- *“We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2016/17 on 21 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources”.*
- *“We issued an unqualified opinion on the Authority’s financial statements on 21 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include the Authority’s Group, which consists of the Authority itself and its consolidated subsidiaries; Greensand Holdings Limited; Pathway for Care Limited; and Horley Business Park Development LLP”.*

A full copy of the KPMG Audit Letter can be found on the Council website:

http://www.reigate-banstead.gov.uk/downloads/file/3679/annual_audit_letter_2016-17

5. Significant Governance Issues

The independent opinions of our internal and external auditors provide considerable assurance in respect of the Council’s arrangements. These have identified no significant issues or areas for improvement.

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, the Council is confident that it has proposals in place to ensure that resources are directed toward identified priorities and to ensure that it will continue to seek innovative ways of securing value for money.

Councillor Mark Brunt
Leader of the Council
Date 21 June 2018

John Jory
Chief Executive
Date 21 June 2018

Agenda Item 8

Overview & Scrutiny Committee
6 September 2018

Agenda Item: 8
Flats Recycling Service



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	STRATEGIC HEAD OF NEIGHBOURHOOD SERVICES
AUTHORS:	Tom Borer
TELEPHONE:	01737 276717
E-MAIL:	tom.borer@reigate-banstead.gov.uk
TO:	OVERVIEW & SCRUTINY
DATE:	6 September 2018

SUBJECT:	FLATS RECYCLING SERVICE
RECOMMENDATION: To note the Flats Recycling Service report to be considered by the Executive on 13 September 2018, and to make any comments to support the Executive's consideration of the report.	
SUMMARY: Attached as Annex 1 is the report to be received by the Executive on 13 September 2018. The Overview and Scrutiny Committee is requested to consider the report in advance of its consideration by the Executive, to note the contents of the report, and to offer any comments resulting from this pre-scrutiny process to the Executive to support its consideration of the report.	



REPORT OF:	STRATEGIC HEAD OF NEIGHBOURHOOD SERVICES
AUTHOR:	Morag Williams
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E-MAIL:	morag.williams@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	13 SEPTEMBER 2018
EXECUTIVE MEMBER:	COUNCILLOR A. HORWOOD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	FLATS RECYCLING SERVICE
<p>RECOMMENDATIONS:</p> <ul style="list-style-type: none"> (i) To note the overall success of the rollout of the enhanced kerbside recycling scheme agreed by the Executive in December 2010 (ii) To reaffirm the Council's continued support for the rollout of enhanced recycling services to flats in the borough; (iii) To delegate authority to the Strategic Head of Neighbourhood Services, in consultation with the Portfolio Holder for Neighbourhood Services to roll out Phase 1 and plan for, and roll out Phase 2. (iv) To note that providing kerbside recycling for the remaining properties will be reviewed once long-term waste disposal arrangements have been agreed with Surrey County Council, recognising that a roll-out will be challenging and may not prove cost effective. 	
<p>REASONS FOR RECOMMENDATIONS:</p> <p>There are around 10,400 flats in the Borough that currently do not have access to our full kerbside recycling service.</p> <p>Delivering the council commitment made in 2010, to provide kerbside recycling services to all households to achieve the governments recycling targets.</p> <p>The implementation of enhanced recycling services to flats will increase recycling rates and reduce the amount of residual waste sent for disposal. We anticipate an increase of 0.5% following phase 1, and a further 0.5% following phase 2. With the additional 1% potentially from remaining flats. This will prove more challenging due to the nature of adaptations that are required to the properties that fall within this group. Capital outlay will be required by managing agents/landlords/RSL's, which is out with the Council's control.</p>	

EXECUTIVE SUMMARY:

In 2012 a comprehensive recycling service was introduced to 45,000 homes within the Borough; since that time 3,800 flats (total flats in the Borough = 14,200) have been provided with full kerbside recycling services.

Currently there are 10,400 flats which have limited access to recycling. This means that residents are obliged to dispose of some materials (including glass and plastics) as residual waste or via our 'bring sites' or Community Recycling Centres.

The purpose of this report is to reaffirm the Executive's commitment to implement an enhanced recycling service for 1,873 flats principally located in Redhill and Reigate. Furthermore, agreement is sought to plan the introduction of services to an additional 2,300 flats in other parts of the Borough.

We would like to highlight the challenges that are likely in rolling out the service to the remaining flats in the borough which include capacity issues, expenditure required by Managing Agents/Landlords in adapting their properties to accommodate bin stores and also the lack of agreement for future waste disposal arrangements and associated financial transactions between the Borough & the County post 2020.

This report details the location and numbers of flats still to receive kerbside recycling, the resources required to introduce the service and the likely recycling yield.

Funding is required to provide new bins and containers for flats. The report also addresses increased revenue costs associated with additional collection vehicles and crews.

Enhanced recycling services will further improve recycling rates and reduce the amount of residual waste sent for disposal. This will help us to achieve recycling targets as described in Surrey Waste Partnership's Joint Waste Management Strategy (JWMS), of which the Borough is a signatory (see supporting documents).

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. Reigate and Banstead Borough Council is a statutory Waste Collection Authority. This means that we have a duty to collect household waste from our residents.
2. The Environmental Protection Act 1990 describes the duties of a Waste Collection Authority. S.48 makes provision for Waste Collection Authorities to retain waste for the purposes of recycling.

BACKGROUND

3. The decision was made by the Executive in December 2010 to proceed with the implementation of kerbside recycling to households within the borough. The aim was to increase recycling figures from 37% to the national target of 50% by 2015. Our rate is currently 55%, (ranking us 36th of 350 local authorities nationally). Notwithstanding the risk of contamination (see below) it is estimated that we may be

able to increase this percentage to between 56% and 58% by introducing the service to flats.

4. The Council's enhanced kerbside recycling service was introduced in 2012 and has been successful, resulting in increased recycling rates. However, it is not currently provided to 10,400 flats whose residents receive a more limited service. The initial roll out of the service was delivered to houses with a small number of flats gradually being brought on service. The previous political administration wished to wait until the outcome of the Surrey County Council/Surrey Waste Partnerships/RBBC future financial arrangements to be confirmed before delivering the service to the other properties in the borough.
5. The purpose of this report is to provide an update on progress to date and to reaffirm the council's commitment to rolling out to flats.

KEY INFORMATION

Implementing Kerbside Recycling to Flats

6. Flats presently receive weekly waste collections. Around 99% of flats have access to paper & cardboard recycling and 77% have the ability to recycle tins and cans. We are therefore unlikely to see an increase in the volume of paper & cardboard collected and therefore no significant increase in income from this recyclate, however, it is anticipated that the recycling rate will increase by around 2% or 1500 tonnes pa if all flats included in phase 1-3 are provided with the new service.
7. The enhanced kerbside collection service, we are looking to implement, sees food, paper, card and cardboard collected weekly. Whilst dry mixed recycling (DMR = glass, plastics and cans) and residual waste is collected on alternate weeks (fortnightly).
8. Survey work undertaken in 2015 and subsequent assessments suggest that flats that do not currently receive the enhanced kerbside recycling service fall into three groups :-
 - a. 1,873 flats that are almost ready to receive an enhanced kerbside recycling service, requiring only minimal alteration to existing waste provisions.
 - b. 2,300 flats that need managing agent/landlord consultation in order that we can agree minor improvements to access and storage areas before a service can be introduced.
 - c. 6,200 flats that need major adjustments and/or significant investment by managing agent/landlord, before they can be included in an enhanced kerbside recycling service.
9. Phase 1 of the introduction of enhanced kerbside recycling focuses on the 1,873 flats identified in para 4a above. A three month mobilisation period would be required to plan the new service. During this time each site would be assessed and assigned to a collection round. After planning and following communications and consultation with residents, new recycling bins would be delivered. Regular collections will commence after bin delivery. It is anticipated that, on completion of planning, a period of 20 weeks would be required to oversee the inclusion of all flats in Phase 1.

10. Phase 2 involves detailed planning of enhanced services for flats identified in para 8b above. Site visits undertaken by a Flats Recycling Officer would identify alterations required to access routes and bin stores as well as the number of bins required at each site. Consultation with residents and freeholders would be included at this stage.
11. Remaining flats are identified at para 8c above. This report recommends that until future waste disposal arrangements and associated financial transactions have been agreed between this Authority and Surrey County Council no decision should be made to include these flats in the enhanced recycling service at the present time.

TIMEFRAMES

12. Phase 1: Planning September to October 2018. Implementation will take place between October 2018 and April 2019.
13. Phase 2: On completion of Phase 1 planning for Phase 2 would take place between May and November 2019.
14. Remaining flats: To be considered on conclusion of agreements between this Authority and Surrey County Council.

OPTIONS

15. Option 1 – Don't continue with the roll out of kerbside recycling to flats
16. Option 2- The executive is asked to recommend proceeding with Phase 1 & 2 (in section 12 & 13 above) roll out of the kerbside recycling service to approximately 4000 flats by the end of 2020
17. Option 3 – Commence work on remaining flats following phase 1 & 2, this option is not recommended
18. The Executive could choose to implement enhanced services to all flats more quickly but this would require significant additional resource.

LEGAL IMPLICATIONS

19. Section 46 Notifications under the Environmental Protection Act 1990:
20. Section 46 Notice will need to be served on householders. This notice advises the householder about waste receptacles and their use.
21. The local authority can provide the waste receptacles free of charge or make a reasonable charge or request that the householder provides the waste receptacle. The local authority can determine the type and size of waste receptacle. The householder has a right of appeal to the Magistrates Court to challenge the requirement on the householder to provide a waste receptacle on the grounds that the requirement is unreasonable or that there is already adequate provision for a waste receptacle.

22. The section 46 Notice can also indicate steps which the householder needs to take to facilitate the waste collection for example where the waste receptacles need to be placed for collection.
23. Provided the section 46 Notice is properly served and effective, the householder can be subject to prosecution if for example waste is not placed in the receptacles as specified or failure to have an adequate waste receptacle as required by the section 46 Notice. If successfully convicted the householder is liable to pay a Fine. The maximum Fine for these offences is "level 3 on the standard scale", which is currently £1000.
24. There are no significant legal implications. The commitment to enhance recycling opportunities will support the Borough to meet the legislative requirements relating to waste collection and relevant recycling targets.

FINANCIAL IMPLICATIONS

25. Phase 1: Cost £85k. This is the pro-rata cost of crew and vehicle required plus additional administration and communications cost and the purchase and delivery of containers. We are asking for £51k from the Corporate Plan Delivery Fund to cover the cost of the bins required and the balance of the £85k will be delivered through the existing revenue budget.
26. Phase 2: Cost £129k. This is the pro-rata cost of crew and vehicle required plus the reinstatement of a Flats Recycling Officer, additional administration and communications, cost and the purchase and delivery of containers. We will require additional revenue and capital funding which due to the roll out programme being in 2019/20 will be sought through the service and financial planning process.
27. Remaining flats: Await decision with regards to implementation after Phase 2 completed and our financial arrangement with SWP post 20/21 is agreed.
28. At the commencement of any future phased roll-out, one additional 'twin pack' vehicle (26t refuse collection vehicle with two chambers) will be required, either at a capital cost of £180k or a short-term hire cost of £1,100 per week.
29. The widely reported Chinese import ban has led to greatly reduced income from recyclates and the introduction of recycling to flats is unlikely to generate further income for the Borough. Our financial arrangements post 20/21, with SWP, are not yet agreed and therefore it is possible that implementing the recycling service to additional flats would benefit SCC rather than RBBC in the future.
30. Although there is no direct financial advantage most (although not all) residents of flats are keen to recycle. The provision of enhanced services will be well received and affords the opportunity for residents to recycle more waste, including glass, plastic bottles, pots, tubs and trays and food, which is of environmental benefit.

EQUALITIES IMPLICATIONS

31. An Equalities Impact Screening Assessment has been completed and found there are no equalities implications arising from this report. This is because we are providing additional bins to enable residents to recycle more; we are not changing the location of the bins or making recycling compulsory. Although we offer an assisted collection from houses in the borough we are not able to provide this service

to flats as this would involve bringing waste from the resident's property to the bin. We do not offer a service to enter resident's homes.

COMMUNICATION IMPLICATIONS

32. A communication plan has been used in the introduction of kerbside recycling services since 2012. Residents will receive written communication explaining their new service and this includes dates of planned collections for each waste commodity.
33. Information about our recycling service is available on our website including detailed information about which materials can be recycled and how to separate recycling from residual waste
34. We use Social media regularly to update residents about our waste services and planned dates of waste collections.
35. Problems with bin collections can be reported online or via our Customer contact team.

RISK MANAGEMENT CONSIDERATIONS

36. We know that the introduction of communal recycling services in flats runs the risk of an increase in contamination (residual waste being placed in recycling bins). Contaminated material will be rejected at Materials Processing Facilities (MRF) and the cost of transportation and disposal will be borne by RBBC. Typically, a 22 tonne load of contaminated material sent for disposal will cost RBBC £2,500. Income from material will be lost, no recycling credit is payable and the tonnage cannot be counted towards our recycling percentages.
37. There are ways to mitigate the contamination risk, such as the use of 'aperture and locking' bins¹. Discussions have also been commenced with Raven Housing Trust and other Registered Social Landlords about the principle of introducing secure local recycling areas. Whilst this would create considerable savings for the landlord (compared to more intensive modifications) it would still require a modest amount of funding from the managing agent/landlord, which is not always readily available.
38. Deferring remaining flats until we have agreed financial transactions with Surrey Waste Partnership/Surrey County Council post 2020.
39. Income from recycling is subject to prevailing market conditions and the risk of any market decrease is borne by the borough as we retain control of material collected for the purposes of recycling.

CONSULTATION

40. This report follows on from the consultations that took place prior to the introduction of the new kerbside recycling service in 2012.
41. The Leader of the Council, Deputy Leader of the Council and Portfolio Holders for Neighbourhood Services have been consulted about the Flats Roll out.

¹ Locked bin lids with an aperture through which to 'post' recycling. This prevents bags of refuse being placed in the bin.

POLICY FRAMEWORK

42. The Council's Five Year Plan was adopted in late 2014 and covers the period 2015-2020. Whilst it does not include a specific priority in relation to waste, the Plan vision includes that we will deliver quality services and support, provide value for money and respond to the needs and demands of our residents.
43. The phased flats recycling roll out outlined in this paper reflects our ambition to move towards a situation where all residents receive the highest quality recycling service; recognising that given the financial constraints that the Council is faced with, securing 100% coverage may not be financially viable in the short to medium term.

Background Papers:

1. Five Year Plan: http://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/our_5_year_plan
2. Surrey Waste Partnership's Joint Waste Management Strategy (JWMS) https://www.surreywastepartnership.org.uk/_data/assets/pdf_file/0004/76387/JMWM_S Rev2_v6_STRATEGY.pdf

Annex 1

The Location of Flats in Phase 1, Phase 2 and remaining flats.

The location of flats in Phase 1 is shown in the table below:-

Ward	No. of flats Phase 1
Earlswood Whitebushes	193
Meadvale St Johns	128
Redhill East	766
Redhill West	382
Reigate Central	141
Reigate Hill	263
Total	1873

The location of flats in Phase 2 is shown in the table below:-

Ward	No. of flats Phase 2
Banstead Village	126
Chipstead Hooley Woodmansterne	149
Earlswood Whitebushes	192
Horley Central	266
Horley East	12
Horley West	73
Kingswood Burgh Heath	120
Meadvale St Johns	70
Merstham	152
Nork	33
Preston	126
Redhill East	322
Redhill West	176
Reigate Central	176
Reigate Hill	104
Salfords & Sidlow	11
South Park Woodhatch	96
Tadworth Walton	40
Tattenhams	56
Total	2300

The location of remaining flats is shown in the table below:-

Ward	No. of flats
Banstead Village	533
Chipstead Hooley Woodmansterne	112
Earlswood Whitebushes	436
Horley Central	517
Horley East	69
Horley West	139
Kingswood Burgh Heath	87
Meadvale St Johns	313
Merstham	222
Nork	200
Preston	120
Redhill East	592
Redhill West	790
Reigate Central	718
Reigate Hill	549
Salfords & Sidlow	15
South Park Woodhatch	275
Tadworth Walton	273
Tattenhams	240
Total	6200

Agenda Item 9

Overview and Scrutiny Committee
6 September 2018

Agenda Item: 9
Budget Scrutiny Review Panel



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION
AUTHOR:	Tom Borer
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E-MAIL:	Tom.Borer@reigate-banstead.gov.uk
TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	6 SEPTEMBER 2018

WARD (S) AFFECTED:	All
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SUBJECT:	BUDGET SCRUTINY REVIEW PANEL
RECOMMENDATIONS: 1. To agree the membership of the Budget Scrutiny Review Panel and timetable for the preparation of the Budget for 2019/20 as set out in the report; 2. To agree the scope of the Budget Scrutiny Review Panel work during 2018/19.	
SUMMARY To consider the membership, timetable and scope of the Budget Scrutiny Review Panel during 2018/19.	

BACKGROUND

1. The Executive on 29 March 2018 supported the Committee's request for the Budget Scrutiny Review Panel to be re-established for 2018/19 and included in its work programme. This was subsequently approved by Council on 12 April 2018.
2. The Committee is therefore requested to agree activity for the Panel for the year 2018/19. This will focus on consideration of the provisional budget for 2018/19.

MEMBERSHIP

3. The Budget Scrutiny Review Panel is a 7 Member panel. The political proportionality requirements do not apply to scrutiny panels. However, the Committee has always sought to apply the principles. Therefore, this year's membership is as follows:

Conservative	4
Residents' Association	2
Green	1
4. Meetings of the Panel are open to any Councillor to attend.

5. The Committee is asked to consider the nominations for Membership of the Panel, and the following have been received:

Conservative Party: Nominations to be confirmed.
Residents Association: Councillors N. Harrison and B. Stead
Green Party: Nomination to be confirmed.

The remaining nominations will be confirmed at the meeting.

6. The Committee is requested to approve the nominations made.

TIMETABLE

7. The indicative timetable for the construction of the Budget for 2019/20 is as follows:

Event	Date
Executive approve a draft budget proposal for formal consultation.	8 November 2018
Budget Scrutiny Review Panel: To consider and review draft budget proposal.	22 November 2018
Overview and Scrutiny Committee comment to the Executive on the draft budget.	6 December 2018
Executive to consider report from the Overview and Scrutiny Committee on the Budget for 2019/20	10 January 2019
Executive approve a Proposed Budget for 2019/20, taking account of the Overview and Scrutiny Committee recommendations and make the Council Tax recommendation to the Council.	24 January 2019
Full Council consider the Council Tax for 2019/20.	7 February 2019

ROLE OF THE OVERVIEW AND SCRUTINY COMMITTEE

8. The Panel's activity will therefore focus on considering and responding to the draft budget proposals for the municipal year 2019/20 published by the Executive.
9. The Overview and Scrutiny Committee will consider the report of the Budget Scrutiny Review Panel at its meeting on 6 December and make any comments on the draft budget for 2019/20, for consideration by the Executive in line with the Council's Policy Framework and Budget Procedure Rules.

Background Papers:

- [Overview and Scrutiny Committee Work Programme 2018/19](#)