

Overview and Scrutiny Committee Agenda



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

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Contact: Democratic Services (01737 276182)

Email: Democratic@reigate-banstead.gov.uk

1 April 2019

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors: B. A. Stead (Chairman),

T. Archer

M. S. Blacker

R. W. Coad

G. R. Curry

J. C. S. Essex

J. S. Godden

N. D. Harrison

J. P. King

R. Michalowski

D. T. Powell

J. M. Stephenson

Mrs. A. F. Tarrant

Mrs. R. S. Turner

J. F. White

Substitutes

Conservatives:

Councillors:

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

Residents Group:

Mrs. J. S. Bray, R. Harper and M. J. Selby

Green Party:

H. Brown and S. McKenna

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on **WEDNESDAY, 10 APRIL 2019** at 7.30 pm in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

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. EXTERNAL AUDIT PLAN 2018/19 (Pages 13 - 38)

To receive and note information from the Council's External Auditors on the audit plan for the 2018/19 External Audit.

5. PORTFOLIO HOLDER BRIEFING

To receive and note a briefing from Councillor K. Foreman, Executive Member for Planning Policy, and to consider any issues that arise.

6. SERVICE AND FINANCIAL PLANNING 2020/21 - PROCESS AND OVERVIEW (Pages 39 - 42)

To note the overview of the Service and Financial Planning process for 2020/21, and to provide any observations on matters for consideration during this planning process.

7. OVERVIEW AND SCRUTINY COMMITTEE - ANNUAL REPORT 2018/19 (Pages 43 - 54)

To approve the Annual Report of the Committee for recommendation to Council, and to make any additional observations to Council.

8. 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.

9. 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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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 on Thursday, 14 March 2019 at 7.30 pm.

Present: Councillors B. A. Stead (Chairman), T. Archer, M. S. Blacker, R. W. Coad, G. R. Curry, J. C. S. Essex, N. D. Harrison, J. P. King, R. Michalowski, D. T. Powell, Mrs. A. F. Tarrant and J. F. White

Also present: Councillors M.A. Brunt, A. Horwood and T. Schofield.

63. MINUTES

RESOLVED that the minutes of the meeting held on 14 February 2019 be approved as a correct record.

64. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillors J.M. Stephenson and R.S. Turner.

Others: None.

65. DECLARATIONS OF INTEREST

No declarations of interest were made.

Cllr J.C.S. Essex declared a non-pecuniary interest as a director of Furnistore during the discussion of item 5 of the agenda.

66. INTERNAL AUDIT PLAN 2019/20

The Committee considered the proposed Internal Audit Plan for 2019/20-21/22 and Internal Audit Charter. It was identified that these were provided by the Southern Internal Audit Partnership (SIAP), the Council's incoming internal auditors for 2019/20, as agreed by the Executive on 18 October 2018.

Representatives of SIAP provided an introduction to the plan and charter, outlining the contents of the documents and the related development and consultation. This included information on the internal audit team, internal audit priorities, consideration given to the Council's identified Strategic Risks for 2019/20, and timing and cross-referencing of reviews. It was identified that the plan would be regularly updated, and that significant variations would be reported back to the Committee.

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

- **Review topics and scoping.** Clarification was provided on the subjects and focus of planned reviews. It was identified that the Working in Partnerships review was planned to focus on governance around partnerships, whereas the Alternative Delivery Models review was would focus on new models beyond existing activities. It was identified that the early review of the developing Corporate Plan would consider the development process, and the review in 2021/22 would consider delivery of the plan. It was identified that bank reconciliations would be considered as part of the review of main accounting. It was identified that as these had recently been considered by the current internal auditors, it was expected that these would be reviewed again subsequent to other areas of focus. It was identified that the planned review of the annual governance statement in 2021/22 would consider the broad framework and surrounding process, in addition to the elements annually considered. It was identified that the scope of all reviews would continue to be considered during the course of the plan.
- **Commercial Governance.** It was identified that the Council's current internal auditors were conducting a review of the Council's commercial governance arrangements. It was identified that there was a planned review on income generation, which could include consideration of relate matters. It was confirmed that consideration would be given to if additional consideration of the matter was required.
- **Operational Risks.** It was confirmed that the Council's identified operational risks had been considered by the internal auditors, but that did not form part of the formally presented plan.
- **Council Investments.** It was identified that a review of investments, particularly considering the Council's investment strategy, was planned for Q1 2019/20, with potential for the scope to be reviewed. It was identified that consideration would be expected to be given to the recoverability of investments as part of the planned review of accounts receivable and debt management in 2020/21. It was confirmed that consideration would be given to if additional consideration of the matter was required.
- **Fraud and Irregularities.** It was identified that fraud and irregularities had not recently been the subject of a specific review, and that a specific review of the subject did not form part of the current plan. It was however also identified that consideration to risks relating to fraud and irregularities were considered as part of the process of all relevant reviews. It was confirmed that consideration would be given to if additional consideration of the matter was required.
- **IT and related work.** Attention was drawn to the importance of assurance regarding the Council's information technology infrastructure. It was confirmed that consideration would be given to if additional or earlier consideration of related matters was required.

The Committee thanked the auditors for their work in developing the plan and providing information to the Committee. It was:

RESOLVED that the Internal Audit Plan 2019/20-21/22 and Internal Audit Charter be approved.

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67. PORTFOLIO HOLDER BRIEFING

Agenda item 5 – Portfolio Holder Briefing was considered subsequent to consideration of items 8, 11 and 12. The minutes are presented in the order items are presented on the agenda.

Cllr Essex declared a non-pecuniary interest during discussion of this item as a director of Furnistore.

The Committee received a presentation from Councillor A. Horwood, Executive Member for Neighbourhood Services, on the Neighbourhood Services portfolio, including information on the structure of neighbourhood services, an overview of services provided, current focusses and future challenges.

Information was provided on work relating to refuse and recycling, cleansing, green spaces, and supporting elements such as fleet management, team structures, budget considerations and work with partner organisations.

The Committee considered and discussed the presentation. There were a number of questions and comments relating to the following topics.

- **Cleansing Services.** It was queried if, given the high value of cleansing services to residents, there were any plans to expand the cleansing services budget. It was identified that there was no currently planned expansion to the budget, but that services were reviewed regularly. Attention was drawn to the high level of use of the Tattenhams corner bring-site, along with potential fly-tipping, and the need for it to be emptied on a frequent basis.
- **Street Sweeping.** It was identified that there was a scheduled street sweeping programme, which included coverage of residential roads. It was identified that the scheduling for individual roads could be confirmed where requested. It was identified that specific arrangements were in place to sweep without parked vehicles in place in some high impact locations. It was confirmed that the street sweeping schedule was made available to Members following its confirmation, but that consideration would be given to improving its visibility.
- **Staff Retention.** It was confirmed that there was a high level of staff retention within the Neighbourhood Services service areas.
- **Waste and Consumption.** It was identified that the Council worked to encourage recycling, including with the ongoing expansion of its recycling provision to more flats in the borough, but that it had limited control over initial consumption. It was however noted that the developing national waste strategy may include steps to address excessive consumption, and the Council would be monitoring potential involvement with the outcomes of the strategy. It was identified that the Council did have a standard bin size and collection, and didn't collect waste in excess of this as part of the regular collection. Attention was drawn to the potential benefits of reusing or repairing items.
- **Play Equipment Accessibility and Maintenance.** It was confirmed that consideration had been given to accessibility of play equipment for children with disabilities in the current Priory Park project, and that this would be rolled out more widely in future. It was confirmed that the Council had a regular programme of inspection and maintenance for its existing play

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equipment, and that it would be employing a fulltime technician to support this programme.

- **Recyclates and Waste Collection Categories.** It was confirmed that the Council's method of dry goods collection allowed the easy separation of specific recyclates such as glass, and attention was drawn to the benefits of recycling glass in particular due to its long term reusability. It was identified that the national waste strategy made reference to core, required collection of certain types of waste. It was identified that the Council, and all authorities in Surrey, collected food waste separately.
- **Roll-Out of Recycling to Flats.** It was identified that phase one of the expansion of recycling services had been largely completed, and that work on phase was beginning. It was identified that phase 2 would provide more challenges, particularly related to physical constraints around on-site waste storage and accessibility. It was identified that the Council was conducting a detailed planning process and working with landlords to work to address these challenges.
- **The Greenspaces Team.** Thanks were offered to the greenspaces team for their work with Reigate Heath Steering Group and in supporting effective use of the Castle Grounds site. Positive feedback was also offered on the 'Little Libraries' scheme. Attention was drawn to the multiple awards received by the Council for work relating to greenspaces and related areas.
- **Planning consultation.** It was confirmed that neighbourhood services teams provided responses to all planning applications where their consultation was sought.

The Committee thanked Cllr Horwood and the supporting officers for the presentation and answers to questions, and it was:

RESOLVED that the portfolio holder briefing from Cllr A. Horwood, Executive Member for Neighbourhood Services, be noted.

68. OUTLINE CAPITAL STRATEGY

The Committee considered the Outline Capital Investment Strategy 2019/20, which was introduced by Councillor Schofield, Executive Member for Finance. It was identified that the strategy set out the Council's approach to capital investment for the next five years, formed a key part of the Council's governance arrangements, and ensured that relevant factors are taken into account. It was identified that the strategy should be read in combination with the Treasury Management Strategy.

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

- **Strategy Development.** It was identified that the Outline Capital Investment Strategy would form part of the Council's general approach to financial decisions and planning, and would be considered in conjunction with other strategies. It was identified that the more detailed capital investment strategy was expected to be completed in time to inform the budget setting process for 2020/21.
- **Commercial Activities.** It was identified that the findings of the Council's recent Commercial Governance review would be considered by the Executive on 18 March 2019, and that it was expected that future

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commercial activities and approaches would be considered by a specialist Executive Sub-Committee.

- **Marketfield Way.** It was identified that the Marketfield Way development composed much of the identified place delivery component of the capital programme.
- **Ethical Investment.** It was identified that the all investment decisions taken by the Council would be expected to take account of ethical requirements, potentially including environmental considerations.
- **Capital Appraisal Process.** It was identified that the process for reviewing and reporting on completed projects was developing, but that performance monitoring was expected to be expanded.

The Committee thanks Councillor Schofield and the finance team for their work, and it was:

RESOLVED that the Outline Capital Investment Strategy 2019/20 be noted.

69. QUARTERLY PERFORMANCE REPORT (Q3 2018/19)

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, along with the revised Key Performance Indicators and identified Strategic Risks for 2019/20.

Councillor Schofield, Executive Member for Finance, provided some overview information on the report, including the projected underspend in the revenue budget due to better than expected income, the projected underspend in the capital budget due to minor delays on some projects, and identifying that the areas for attention identified in the internal audit section of the report had been responded to.

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

- **Disabled Facilities Grant.** It was confirmed that the new supplier for delivery of the disabled facilities grant was in place and that cases were being actioned. It was identified that most of the underspend was expected to be utilised by the end of the year, following work to allow specific exemptions to the Housing Assistance Policy., and that the remainder would be carried over. It was identified that more funds had become available than was initially projected due to additional funds being obtained from an allocation by central government. It was identified that consideration would be given to how to increase awareness of the availability of the grant amongst those in need.
- **Legal Services.** It was identified that the legal services overspend had been an ongoing issue, and it was queried when it would be resolved. It was identified that the legal services model was being updated, and that it was expected that the corresponding budget would then be better identified. It was noted that the budget for 2019/20 had already been agreed and that this therefore would not be reflected in reporting until the following financial year.
- **Main Accounting internal audit review.** It was confirmed that the sources of the general balance variation had been identified as authorised items which had not been recorded in the ledgers, and that they had been

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reconciled. It was identified that schedule identifying the accounting treatment could be made available. It was identified that the car parking income reporting would continue to be monitored.

- **Staffing Updates.** It was identified that updates to staffing were not considered to be a strategic risk, but that consideration was being given to ensuring that the Council had appropriate skills and resources in place to support its objectives.
- **Reporting of Reserves.** It was confirmed that general reserve balances were reported on an annual basis, and that the report contained information on the Corporate Plan Delivery Fund balance. A suggestion was offered that reserve balances could be reported more frequently.
- **Community Infrastructure Ley & S106 internal audit review.** It was confirmed that the issue identified related to the transfer of S106 data into a new system, and that this work was in progress,
- **Operational Risks.** It was confirmed that Operational Risks would be reported by exception where issues were identified, and that the full operational risk registers were available for Members to view on the e-Members room.
- **KPIs and empty houses.** It was queried if there were any options available to the Council in addition to current practices to encourage effective use of properties in the borough. It was identified that there was a Council Tax premium of 50% on empty properties, and that additional powers to increase this to 100% were expected to be forthcoming. It was identified that additional information on under-occupied properties would be provided as a written response.
- **Corporate Plan and KPIs.** It was confirmed that KPIs would be reviewed in line with the development of the Corporate Plan.

RESOLVED that the quarterly performance report, revised KPIs and Strategic Risks for 2019/20 be noted.

70. COMPANIES PERFORMANCE UPDATE - MARCH 2019

Agenda items 8, 11 and 12 were considered in sequence between items 4 and 5. The minutes are presented in the order items are presented on the agenda.

The Committee considered an update on the performance of companies owned or part-owned by the Council, which was accompanied by additional exempt information in agenda item 12. The update provided an overview of the performance of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd, and RBBC Ltd.

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

- **Information Availability.** Attention was drawn to the importance of transparency and ensuring that no more information was kept confidential than necessary. It was also identified that, whilst the information available was an improvement on previous reporting, there were still considered to be some areas where additional information might be beneficial. It was identified that the accompanying exempt information in item 12 included the first reports direct from companies, and that it was expected that the reporting

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process would continue to be refined. It was identified that, following the recent commercial governance review, it was intended to establish a specialist Executive sub-committee to consider commercial matters, and that it would be working to support effective reporting.

- **Pathway for Care – progress in March.** It was identified that the properties targeted to open in March was scheduled to open in the week of 18 March 2019, and the most recent information received indicated that they were on track to do so.

RESOLVED that March 2019 Companies Performance Update be noted.

71. 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 Committee Procedure Rules.

72. ANY OTHER URGENT BUSINESS

None.

73. EXEMPT BUSINESS

Agenda items 8, 11 and 12 were considered in sequence between items 4 and 5. The minutes are presented in the order items are presented on the agenda.

RESOLVED that members of the Press and public be excluded from the meeting for the consideration of Item 12 of the agenda (Companies Performance Update – March 2019 (Exempt)) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and

(ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

74. COMPANIES PERFORMANCE UPDATE - MARCH 2019 (EXEMPT)

Agenda items 8, 11 and 12 were considered in sequence between items 4 and 5. The minutes are presented in the order items are presented on the agenda.

The Committee considered exempt information on the performance of companies owned or part-owned by the Council. There were a number of questions and comments relating to the following topics:

- **Exempt Information.** Attention was again drawn to ensuring that no more information was kept confidential than was necessary. It was confirmed that the Council would be providing feedback to the companies to support improvements to future reports. It was identified that the information provided was improved from previous occasions.
- **Greensand Holdings.** It was confirmed that Greensand Holdings currently only owned one property. It was identified that the Council would be reviewing its approach to property investments, in line with its developing strategies.

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- **Property reporting consistency.** It was identified that reporting to the Council on property investment performance should seek to be consistent between properties owned by the Council and by Greensand Holdings, where possible.
- **Property Values.** It was identified that increases in property values were subject to change in line with market conditions. It was confirmed that any changes in value would also be reflected in final accounting.
- **Company Directors.** It was confirmed that updates to company director appointments, where within the Council's control as a shareholder, were expected to be updated in line with the recommendations of the commercial governance review.
- **Horley Business Park.** Attention was drawn to the importance of ensuring that due consideration was given to access, and the development and funding thereof, to any Horley Business Park development. It was identified that considerations around traffic implications and related matters would be considered as part of the process of any planning application brought forward.
- **Companies and Social Responsibility.** Attention was drawn to ensuring that the Council, in its role as a shareholder, worked to ensure that Council owned companies behaved ethically and with regard to social responsibilities.
- **Pathway for Care.** Consideration was given to the business model of Pathway for Care and it was identified that it considered to be appropriate to the development of the business and delivering a return to the Council, whilst providing a good quality service.
- **RBBC Ltd.** It was identified that RBBC Ltd was expected to be closed and that work to deliver this was ongoing. It was identified that a report on the final outcome would be provided to the Executive and Overview and Scrutiny Committee.

RESOLVED that the exempt information relating to the March 2019 Companies Performance Update be noted.

The Meeting closed at 9.56 pm



Planning report to the Overview and Scrutiny Committee for the year ending 31 March 2019

Issued on 2 April for the meeting on 10 April 2019

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Overview and Scrutiny Committee
10 April 2019

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Introduction

15 April 2019
Overview and Scrutiny Committee

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Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Overview and Scrutiny Committee (the Committee) for the 2019 audit of Reigate and Banstead Borough Council (the Council). We would like to draw your attention to the key messages of this paper:

Audit Plan

- We have held our audit handover meeting with KPMG LLP and have reviewed their audit files and reports.
- We are developing our understanding of the Council through discussion with management and review of relevant documentation from across the Council.
- Based on these procedures, we have developed this plan to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the users of the Council's statement of accounts.

Key risks

- We have taken an initial view as to the significant audit risks that the Council faces. These are presented on page 10 onwards.

Regulatory change

- Our audit is carried out under the Code of Audit Practice issued by the National Audit Office (NAO).
- We will update Management and the Committee with sector and technical updates as they arise.

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Our audit explained

We tailor our audit to your Council and your strategy

Identify changes in your Council and environment.

We have spent time understanding the current year matters relevant to the council and prepared our risk assessment for the audit on that basis. We will continue to keep this under review throughout the audit process.

Current developments at the council include:

- Development of Marketfield Way, Redhill
- Affordable Housing Schemes such as Pitwood Park, Cromwell Road and Lee Street

Scoping

We anticipate our scope to be in line with the Code of Audit Practice issued by the NAO.

We will not scope out any significant items or items that would have a material impact on the financial statements.

In our final report

In our final report to you we will conclude on the significant audit risks identified in this paper and report to you our other findings.

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Determine materiality

We have determined a group materiality of £2.2m. This is based on 2% of gross expenditure of the prior year's audited financial statements. We will report to you any misstatements above £110k. We will report to you misstatements below this threshold if we consider them to be material by nature. For further detail on materiality including group considerations, see page 8.

Significant risk assessment

We will identify significant audit risks in relation to the Council and plan our audit response to meet these risks (Page 10 onwards).

Quality and Independence

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

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Scope of work and approach

We have the following key areas of responsibility under the Audit Code of Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Council will prepare its accounts under the Code of Practice on Local Council Accounting ("the Code") issued by CIPFA and Local Authority (Scotland) Accounts Authority Committee (LASAAC).

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We have identified that the Council has a number of redevelopments within the Borough, in particular the development of Marketfield Way in Redhill and redevelopment of Horley town centre as well as investment to build affordable housing. Given the savings identified in the Medium Term Financial Plan (MTFP) 2016/2017 to 2020/21 and future funding cuts we have identified these transformation projects as an area of audit interest in relation to the Council securing financial resilience and effectiveness in its use of resources.

We will undertake a more detailed assessment of risk during our interim work where we will review the Council's MTFP and hold further discussions with management and we will then provide a conclusion on these arrangements as part of our final reporting to you.

Whole Government Accounts

The council is not expected to be in scope for audit work.

If the council is over the threshold where instructions from NAO are released then our work on the Whole of Government Accounts return is carried out in accordance with instructions and typically focuses on testing the consistency of the return with the Council's financial statements, together with the validity, accuracy and completeness of additional information about the Council's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.

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9 April 2019
Overview and Scrutiny Committee

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA UK 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them where necessary to discuss their work. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit where necessary to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.



Our responsibilities as auditor, and the responsibilities of the Council, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Value for Money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Council has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Group considerations

We have currently assessed the council as the only significant component of the group.

We will understand and assess the non-significant subsidiaries and ventures of the Council, including analytical review of statutory accounts and review of ISA 260 reports from component auditors, including:

- Greensand Holdings Limited;
- Horley Business Park Development LLP;
- RBBC Limited and
- Pathway for Care Limited

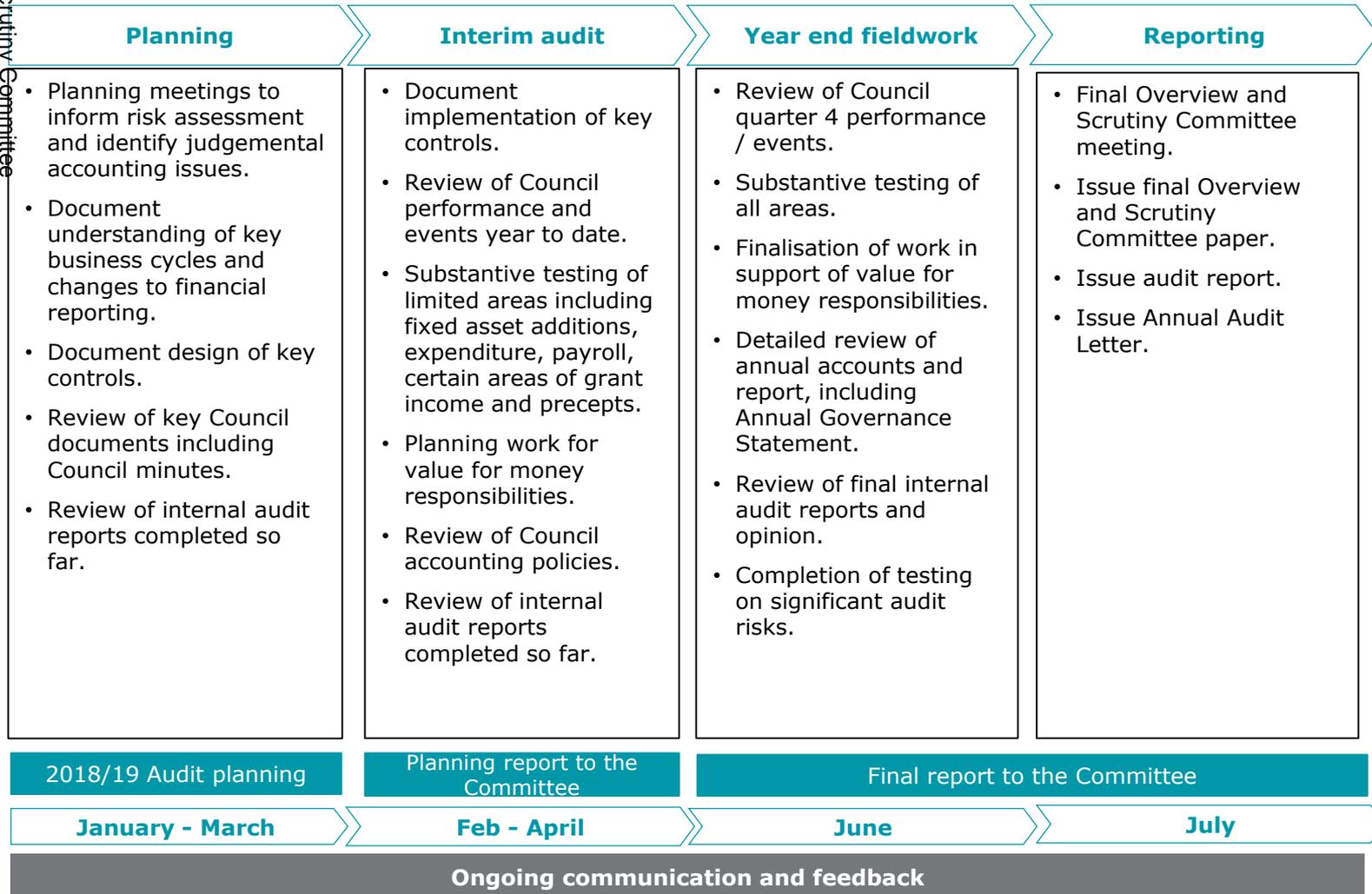
Our approach is designed to ensure we obtain the requisite level of assurance across the whole Group.

Continuous communication and reporting

Planned timing of the audit

10 April 2019
 Overview and Scrutiny Committee

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Materiality

Our approach to materiality

Basis of our materiality benchmark

- The audit lead has determined group materiality as £2.2m based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of Gross Expenditure up to the surplus/deficit on provision of services based on the 2017/18 audited accounts as the benchmark for determining materiality.
- We will assess the Council only materiality at interim which will be lower than the group materiality and re-assess materiality according to the year-end position for both the group and Council only.

Reporting to those charged with governance

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- We will report to you all misstatements found in excess of £110k.
 - We will report to you misstatements below this threshold if we consider them to be material by nature.

Although materiality is the judgement of the audit lead, the Overview and Scrutiny Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

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Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality;
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements; and
- the Council's actual and planned performance on financial and other relevant metrics.

Principal risk and uncertainties

- Future levels of government funding

IAS 1 Critical accounting estimates

- Pension liability
- Allowance for bad debts
- Asset valuations and impairments

Current year developments

- Developments underway at the Council, including:
 - Development of Marketfield Way, Redhill
 - Affordable Housing Schemes such as Pitwood Park, Cromwell Road and Lee Street
- In addition, 2018/19 will also be the first financial period that the Authority will adopt both International Financial Reporting Standards 9 and 15 (Financial Instruments and Revenue from Contracts with Customers respectively).

Significant audit risks

Completeness of expenditure

Risk identified Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure and completeness and valuation of accruals.

For 2018/19, the Council approved a budget with a net cost of service of £17.7m. As at quarter two, the Council reported a forecast underspend of £87k. Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals and provisions.

Our response Our work in this area will include the following:

- We will obtain an understanding of and test the design and implementation of the key controls in place in relation to recording completeness of expenditure and accruals;
- We will perform focused testing in relation to the completeness of expenditure including a detailed review of accruals;
- As part of this focused testing we will challenge any assumptions made in relation to year-end accruals; and
- In addition, we will review the year on year movement in accruals and will investigate any significant downwards movements.

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Overview and Scrutiny Committee
10 April 2019

Significant audit risks

Property valuation

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2019
April
Security Committee
Review and
Identified

Risk identified

The Council held £109.4m of property assets (other lands and buildings) at 31 March 2017 which decreased to £109.2m as at 31 March 2018. This was largely due to upwards revaluations matching downwards revaluations.

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 Council's land and buildings are revalued a minimum of every five years. As a result of this, however, individual assets may not be revalued for up to four years. There is therefore a risk that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value.

In addition, given the material value of the assets there is a risk that the valuation assumptions which are judgemental in nature may be materially misstated.

Further there is a risk that the timing of the year end valuation, may not be appropriate to correspond with the 31 March year-end.

Our response

- We will test the design and implementation of key controls in place around the property valuation and we will understand how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. In addition, we will assess what valuation assumptions may have been made if there is a time lag between the valuation and the year-end.
- We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals.
- We will use our valuation specialists (Deloitte Real Estate) where considered appropriate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings.
- We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Significant audit risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: completeness of expenditure, valuation of the Council's estate and pension liability. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and management estimates;
- We will risk assess journals and select items for detailed testing using data analytics. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We will review accounting estimates for biases that could result in material misstatements due to fraud; and,
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

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10 April 2019

Other areas of audit interest

Pensions liability valuation

10 April 2019
Governance and
Security Committee
Risk
Identified
Response

The Council are part of the Local Government Pension Scheme administered by Surrey County Council. The Council recognised a pension liability of £70.5m at 31 March 2017 which increased to £71.1m as at 31 March 2018. The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council.

Risk
Response

- We carry out a separate, detailed risk assessment of each of the individual components of the calculation (for example market assumptions, membership data, assets and liabilities) using a developed methodology which takes into account factors such as an assessment of the actuary. We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. Should our risk assessment change our overall audit approach in respect of testing pensions, we will notify the Committee.
- We will confirm the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.

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Other areas of audit interest

Value for Money

Risk identified

Under the NAO Code, we are required to report whether, in our opinion: the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

The Council's MTFP maintains balances at prudent levels implements a priority based budget system which considers potential future funding cuts and required efficiencies. There are however, a significant number of capital developments in the Council's plan which require material investment and there is a risk that efficiency measures may not be effective and that the developments are not delivered in an efficient and financially sustainable manner.

Our response

Our work in this area will include:

- A detailed understanding of the MTFP and the Council's transformation programmes and the related considerations to achieve value for money;
- High level interviews with senior operational staff and internal audit as required;
- Review of the Authority's draft Annual Report, Annual Governance Statement and Council papers and minutes; and
- Consideration of the Council's financial results.

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance responsibilities

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you.

Use of this report

This report has been prepared for the Overview and Scrutiny Committee on behalf of the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.



Deloitte LLP

St Albans, 2 April 2019

Appendices

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Appendix 1 - Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in completeness of expenditure, and management override of controls as a key audit risk for the Council.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 1 - Fraud responsibilities and representations Inquiries

We will make the following inquiries regarding fraud:



Officers:

- Officer's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officer's process for identifying and responding to the risks of fraud in the entity.
- Officer's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officer's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officer has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

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Overview and Scrutiny Committee

10 April 2019

Appendix 2 - Fees and Independence

As part of our obligations under International Standards on Auditing (UK), and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Reigate and Banstead Borough Council and will reconfirm our independence and objectivity to the Overview and Scrutiny Committee for the year ending 31 March 2019 in our final report to the Overview and Scrutiny Committee.
Fees	Details of the fees proposed for the period have been presented below.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	As part of our obligations under International Standards on Auditing (UK) and the APB's Ethical Standards we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity.

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £ (excluding VAT)
Financial statement audit including procedures in respect of Value for Money assessment	37,585
Total audit	37,585
Total fees	37,585

We will communicate our fees in relation to Housing Benefits work (which is separate from the main statement of accounts audit) closer to the work which is scheduled to commence in August.

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

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Appendix 3 - Our approach to quality

AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.

Appendix 4 – Developments in financial reporting

We have set out below developments which may impact on the 2018/19 statement of accounts, together with a key change to the accounting for leases which has been deferred to 2020/21:

New accounting standards in 2018-19 - IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 reclassifies financial assets and aims to simplify financial instrument accounting by more closely aligning accounting with how instruments are used in the business.

The accounting code sets out several transitional issues and arrangements for authorities reporting under IFRS 9. The most significant change for local authorities will be the change in the impairment loss model for financial assets from one based on incurred losses to one based on expected (credit) losses. Under IFRS 9 the other significant change is that assets currently classified as available for sale will potentially be reclassified to fair value through profit and loss.

This change to accounting standards may have implications for the Council and officers will, in particular, need to re-visit its process for determining impairment losses as well as meeting new disclosure requirements.

New accounting standards in 2018-19 - IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers introduces a step-by-step process for identifying contractual performance obligations, allocating the transaction price to those obligations, and recognising revenue only when those obligations are satisfied.

IFRS 15 is not generally expected to have a substantial effect for local authorities, but the Council will need to be able to demonstrate how it has thought through the financial reporting implications and how it will meet the substantial disclosure requirements, including implementing any new data collection processes.

Appendix 4 – Developments in financial reporting

Guaranteed Minimum Pensions Equalisation

In the recent Lloyds Bank High Court case, the judge has ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. This case has provided clarity in an area where previously there has been uncertainty in pensions law.

In the public sector the government have held two consultations in recent years which have led to interim measures to equalise.

Although there have been interim measures to bring about equalisation it is unclear how this has been factored in by actuaries in calculation of the IAS 19 liability.

At the current time it is estimated that, in nearly all cases, the potential impact of the ruling will be between 0-2% of the defined benefit obligations of a scheme.

In forming our view on this input to the pension liability estimate, we will both use our own actuarial specialist and have regard to the finding of a review commissioned by the NAO looking at the approach taken by the principal actuarial firms involved with LGPSs.

Changes to the 2018-19 accounting code

CIPFA/LASAAC has made several changes to the 2018-19 accounting code:

- Confirmation that the service analysis section of the Comprehensive Income and Expenditure Statement (CIES) no longer provides the IFRS 8 Operating Segments reporting requirements, though the service analysis will be consistent with the Expenditure and Funding Analysis note. The Expenditure and Funding Analysis will provide the segmental reporting requirements.
- Several clarifications to improve the segmental reporting requirements of the Code, including a commentary that extra columns can be added to the Expenditure and Funding Analysis if this was needed to ensure that local authorities clearly demonstrate the relationship of their segmental analysis, the General Fund and the service analysis presented in the CIES.

The Council will need to ensure that its accounts template is updated, where relevant, for these changes.

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10 April 2019

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Appendix 4 – Developments in financial reporting

Scrutiny and
Review
Committee
17 April 2019

Streamlining the Accounts: Guidance for Local Authorities

CIPFA has published guidance to local authorities to support steps to streamline both the format of their published financial statements and the year-end processes that underpin them.

The publication covers streamlining the presentation of local Council financial statements by ensuring that local authorities have identified readers' information needs and convey key messages clearly, concisely and efficiently). This involves:

- Using materiality to avoid key messages of the financial statements being obscured by excessive detail;
- Reviewing accounting policies so that only important and relevant information is included; and
- Considering presentation and layout, to help readers focus on key messages and navigate through the statements

It then looks at streamlining the accounts closure process to embed a "right first time" culture which focuses on key transactions and balances and avoids unnecessary work and sets out the characteristics of working papers which support an effective closure and audit process.

We encourage the Council to review its accounts template and year end processes against the good practice points in the guidance and make changes as relevant.

Appendix 4 – Developments in financial reporting

Deferral of IFRS 16 Leases to 2020/21

The new leasing standard IFRS 16 Leases will replace IAS 17. Implementation has been deferred to the 2020-21 financial year.

The new standard eliminates the distinction between operating and finance leases for lessees and brings in a single approach under which all but low- value or short term (less than 12 months) leases are recognised. The distinction between operating and finance leases for lessors is maintained.

The Council will need to:

- have arrangements for capturing information on leases and contracts; and
- recalculate lease liabilities for arrangements that have variable elements such as index-linked increases (which is likely to include most PFI contracts).

Successful implementation of the new standard will depend on the Council collating and reviewing relevant information about their new and existing leases. This will require a significant exercise to collect and analyse relevant information and the Council will need to have an effective project plan and timetable to prepare for implementation on a timely basis.

Appendix 4 – Developments in financial reporting

Review and
April 2019

Revising the
Minimum
Revenue
Provision

Scrutiny Committee

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (2003 Regulations), as amended, requires local authorities to set aside a prudent amount of Minimum Revenue Provision (MRP). MHCLG has issued updated Minimum Revenue Provision Guidance, which applies from 1 April 2019 with the exception of paragraphs 27-29 "Changing methods for calculating MRP", which apply for accounting periods starting on or after 1 April 2018. Early adoption of the guidance is encouraged but is not required.

We recommend that the Council decides whether it intends to early adopt the new guidance

The new guidance:

- Clarifies that, except in cases where an Council has negative or nil Capital Financing Requirement or is offsetting a previous deliberate overpayment of MRP, MRP should never be nil or a negative charge;
- Sets maximum economic life for assets in assessing MRP; and
- Offers some flexibility for PFI assets. There is also some flexibility where the Council has the view from a professionally qualified advisor that an operational asset will deliver benefits for more than the maximum economic life set out in the guidance.

Capital receipts
flexibility

In December 2017, MHCLG issued updated guidance on the use of Capital Receipt Flexibilities and confirmed that the programme would remain in place for the next three years.

We recommend that the Council decides whether it intends to make use of this flexibility in the current or prior year.

Local authorities can use capital receipts arising from the disposal of assets to flexibly fund revenue costs of service transformational projects. There is a requirement to have a plan for approval by Council of the projects to be funded, and in subsequent years to set out whether that plan has been met.

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SIGNED OFF BY	Director of Finance and Organisation
AUTHOR	Pat Main, Interim Head of Finance and Assets
TELEPHONE	Tel: 01737 276063
EMAIL	pat.main@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Wednesday, 10 April 2019
EXECUTIVE MEMBER	Executive Member for Finance

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Service and Financial Planning 2020/21 - Process and Overview
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RECOMMENDATIONS

- (i) **Members of Overview and Scrutiny Committee are asked to note the overview of the Service and Financial Planning process for 2020/21, and to provide any observations on matters for consideration during this planning process.**

REASONS FOR RECOMMENDATIONS

To support consideration of strategic budget matters, it has been agreed that the Overview and Scrutiny Committee be asked to consider an overview of the Service and Financial Planning process for 2020/21, and to offer any observations to support this process.

The comments of the Committee will then be available to be considered by officers and Executive Members during the earlier stages of the development of the 2020/21 budget.

EXECUTIVE SUMMARY

The Overview & Scrutiny Committee's work programme for 2019/20 includes the proposed approach to scrutiny of the budget proposals as part of the established service and financial

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planning process.

- The Committee has established a Budget Scrutiny Review Panel each year on a task and finish basis. This process will continue for 2020/21 budget setting.
- The Panel's work in 2019/20 will be based on consideration of the Provisional Budget proposals for 2020/21, including any updated assumptions within the Medium Term Financial Plan along with Revenue Budget and Capital Programme projections.
- To support additional consideration of strategic budget matters during the development of the budget, it is has also been agreed that early consideration of an overview of the Council's Service and Financial Planning for 2020/21 be undertaken by the Committee at this meeting.
- The comments of the Committee emerging from this meeting will then be available to be considered during the earlier stages of the development of the 2020/21 budget.

STATUTORY POWERS

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.
2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

BACKGROUND

3. The Overview & Scrutiny Committee's work programme for 2019/20 includes the proposed approach to scrutiny of the budget proposals as part of the established service and financial planning process.

KEY INFORMATION

Scrutiny Arrangements – Budget Proposals 2020/21

4. The Committee establishes a Budget Scrutiny Review Panel each year on a task and finish basis. The Panel held one meeting in 2018/19 and reviewed the proposed budget for 2019/20 and provided feedback to Overview & Scrutiny Committee which fed into their response to the Executive. A streamlined approach, supported by an advance questioning process, continued to work well and allowed the Panel to conclude its work in one meeting. This process will continue for 2020/21 budget setting, enabling the emerging draft Corporate Plan and draft Housing Strategy priorities to be taken into account.
5. The Panel's work in 2019/20 will be based on consideration of the Provisional Budget proposals for 2020/21, including any updated assumptions within the Medium Term Financial Plan along with Revenue Budget and Capital Programme projections.
6. To support additional consideration of strategic budget matters, it is has also been

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agreed that early consideration of an overview of the Council's Service and Financial Planning for 2020/21 be undertaken by the Committee at this meeting.

- The comments of the Committee emerging from this meeting will then be available to be considered during the earlier stages of development of the 2020/21 budget.

Budget-Setting Timetable and Approach

- The proposed timetable for 2020/21 service and financial planning, including proposed dates for budget scrutiny, is set out below:

STAGE 1: DIRECTION OF TRAVEL	
Overview & Scrutiny Committee Advanced discussion and overview	10 April
Development of service directions of travel (officers in consultation with relevant portfolio holders)	By 31 May
STAGE 2 : PROVISIONAL SAVINGS & GROWTH PROPOSALS	
STAGE 3: DRAFT BUDGET PREPARATION	
Preparation of draft business plans and provisional savings and growth proposals in consultation with relevant portfolio holders)	Late July – mid Sept
Executive To consider draft budget proposals	7 Nov
STAGE 4: FINAL BUDGET	
Budget Scrutiny Panel	21 Nov
Overview & Scrutiny Committee To receive Budget Scrutiny Panel report	11 Dec
Executive To receive Overview & Scrutiny report	16 Jan
Executive To recommend final budget	30 Jan
Council To approve final budget and council tax	13 Feb

- Members of Overview and Scrutiny are asked to provide feedback on any matters that officers and Members should focus on during Stage 3: Draft Budget Preparation, including any feedback on the proposed budget-setting timetable.

LEGAL IMPLICATIONS

- It is a legal requirement that the Council sets a balanced budget which it can deliver. A statement from the Chief Finance Officer (CFO) on the robustness of the 2020/21 budget and adequacy of reserves will be included in the final budget report to Executive in January 2020.

FINANCIAL IMPLICATIONS

- These will be addressed throughout the service and financial planning and budget-setting reports.

EQUALITIES IMPLICATIONS

- The budget report will include a summary of the service and financial planning

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activities of the Council. Where individual changes, projects or policies are being developed, equalities impact assessments will be carried out by the responsible officer(s).

13. Changes that impact on staff will be discussed directly with individuals affected and with their representatives.

RISK MANAGEMENT CONSIDERATIONS

14. These will be addressed throughout the service and financial planning and budget-setting process.

CONSULTATION

15. Budget proposals will be circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients).
16. Savings and growth proposals will be considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee in December 2019. The conclusions and recommendations of the Panel and the Committee will be reported to the January 2020 meeting of the Executive.

POLICY FRAMEWORK

17. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).
18. The budget will be developed taking into account the priorities in the Council's 5 Year Plan and the emerging Corporate Plan 2020-2025 and put in place resources to deliver these priorities.

Background Papers: *Overview & Scrutiny Workplan 2019/20*

Agenda Item 7



SIGNED OFF BY	Chief Executive
AUTHOR	Tom Borer, Democratic Services Officer
TELEPHONE	01737 276182
EMAIL	tom.borer@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Wednesday, 10 April 2019

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Overview and Scrutiny Committee - Annual Report 2018/19
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RECOMMENDATIONS

1. That the Annual Report of the Overview and Scrutiny Committee be noted and recommended to Council.
2. That any additional observations be made to Council.

REASONS FOR RECOMMENDATIONS

The Overview and Scrutiny Committee serves as a critical friend to the Council and Executive. The Annual Report of the Committee provides a summary of the work of the Committee to the Council

SUMMARY

The Overview and Scrutiny Committee serves as a critical friend to the Council and Executive. As specified in its terms of reference, the Committee provides an annual report to the Council.

The Annual Report of the Committee provides a summary of the work of the Committee in 2018/19 to the Council. This report therefore supports awareness of the role and actions of the Committee by the Council.

The above recommendations are subject to approval by Full Council.

Agenda Item 7

STATUTORY POWERS
1. The functions of the Overview and Scrutiny Committee are set out in Chapter 2 of the Local Government Act 2000, the Council's Constitution, and the terms of reference of the Committee.
KEY INFORMATION
2. The full Annual Report of the Overview and Scrutiny Committee for 2018/19 forms Annex 1 to this report.
3. The Membership of the Overview and Scrutiny Committee, the Committee's terms of reference, and attendance information for the year are set out in Annex 2 to this report.

REIGATE AND BANSTEAD BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

ANNUAL REPORT 2018/19

This Annual Report reviews Overview and Scrutiny activities in 2018/19.

1. Introduction

- 1.1. The Overview & Scrutiny Committee has a number of roles in its terms of reference:
 - scrutiny of the decision making process;
 - monitoring the Council's performance;
 - operating as the "Audit Committee" of the Council;
 - operating as the "Crime and Disorder 'Scrutiny' Committee";
 - supporting the strategic development of policy proposed by the Executive;
 - reviewing issues of concern to local people through Councillor calls for Action;
 - "Call in" of Executive decisions;
 - participating in Joint Scrutiny arrangements in Surrey;
 - monitoring and scrutinising the activities of other organisations that impact on residents and businesses in the borough;
- 1.2. The Committee consists of 15 Members and establishes Review Panels, where required, to undertake detailed work on a 'task and finish' basis. These Panels mostly consist of five members. Panel recommendations are presented to the Committee, the Executive and/or Council.
- 1.3. In 2018/19 the advance questioning procedure was utilised for a number of the Committee's activities, to the benefit of both the Committee and those attending at its request. This procedure provides Members with more time to research issues and prepare questions. It also enables Officers, Members and external guests to prepare more detailed responses.
- 1.4. The Committee continued the arrangement of holding Executive Members to account for their responsibility areas by inviting them to present their objectives, recent achievements, current challenges and future priorities to the Committee.
- 1.5. The eMembers Room (Members' extranet) continued to provide Members with access to information to support their role and includes:
 - performance information including Internal Audit review reports;
 - presentations received at its meetings;
 - Scrutiny Panel reports;
 - Advance questions and responses
- 1.6. The Membership, Terms of Reference of the Committee and attendance at the Committee and its Panels are given in Annex 1.

2. Holding the Executive to Account

- 2.1. The Executive Members and/or Management Team representatives supported the Committee's scrutiny activities and attended meetings of the Committee and Scrutiny Panels throughout the year.
- 2.2. The Committee held the Leader and Executive Members to account through:
 - the attendance of the Leader, the Deputy Leader and Executive Members at the Committee or its Panels to explain how the Executive proposed to deliver its plans and strategies; and
 - Executive Members presenting their objectives to the Committee.
 - Reviewing a number of proposed Executive decisions and providing commentary to the Executive where judged appropriate.
- 2.3. Councillors Mr. M.A. Brunt, Leader of the Council, and Mr. T. Schofield, Executive Member for Finance attended the Budget Scrutiny Panel, to support the Panel's scrutiny. These councillors also attended the Committee meeting at which the report of the Budget Scrutiny Panel was received and considered, to further support this process and respond to questions from the Committee.
- 2.4. Councillor Mr. J.E. Durrant, Executive Member for Community Safety, attended the Committee's annual 'Crime and Disorder' meeting to support the scrutiny of the Community Safety Partnership.
- 2.5. The Committee reviewed developing Council strategy areas, including the Council's developing Investment Strategy and a review of the Council's governance of commercial endeavours. It also received updates on the Council's forthcoming Corporate Plan and Housing Strategy as part of briefings from members of the Executive.
- 2.8. The Committee considered its work plan for 2019/20, supported by discussion between the Chair of the Committee, Leader of the Council and Chief Executive of the Council. This was supported by the Committee at its meeting in February, and recommended to the Executive and Council.
- 2.9. The Committee conducted pre-scrutiny of the Council's planned expansion of recycling services to flats within the borough, along with the required service commitments.

3. Executive Member Objectives

- 3.1. The following Executive Members presented their objectives to the Committee (in chronological order):
 - Councillor Mr. E. Humphreys, Executive Member for Business and the Economy, who provided a briefing on the Council's work to support economic prosperity, including an overview of business trends in the borough and the work of the business prosperity team to support business and the delivery of social value in the borough;
 - Councillor Mrs. N. Bramhall, Executive Member for Property and Acquisitions, who provided a briefing on the Council's property activities, including information on the Council's current properties, investment acquisition and developments, and community facilities and regeneration projects;

- Councillor Mr. M. Brunt, Leader of the Council, who provided a briefing on the work of the Council, including leadership priorities, Council initiatives and projects, future challenges facing the Council, and engagement between the Executive and the Overview and Scrutiny Committee;
- Councillor Mr. J. Durrant, Executive Member for Community Safety, who provided a briefing on the community safety work of the Council, including its work with the East Surrey Community Safety Partnership and to address matters such as anti-social behaviour, modern slavery, and domestic abuse.
- Councillor Mr. G. Knight, Deputy Leader and Executive Member for Housing and Benefits, provided a briefing on the Council's Housing Services, Intervention Team and Revenues, Benefits & Fraud services, including information on work to address homelessness, the developing housing strategy, and support for residents.
- Councillor A. Horwood, Executive Member for Neighbourhood Services, provided a briefing on the Council's Neighbourhood Services, including information on the structure of neighbourhood services, an overview of services provided, current focusses and future challenges.
- Councillor K. Foreman, Executive Member for Planning Policy, is providing an update to the Committee at its April meeting, on the Council's work within the Planning Policy portfolio.

3.2. The Committee welcomed the opportunity to examine in detail the work of portfolio holders, to test the relationship of this work to the Council's corporate objectives and to scrutinise the performance of the Council's services.

4. "Crime and Disorder 'Scrutiny' Committee"

- 4.1. The Committee again held an annual meeting as part of its 'Crime and Disorder' responsibility. The Committee scrutinised the activities of the East Surrey Community Safety Partnership (ESCSP) in 2018/19.
- 4.2. The Police and Crime Commissioner for Surrey, and the Police Borough Commander for Reigate and Banstead were invited to attend the meeting as key community safety partners, and supported the Committee in its scrutiny activity.
- 4.3. The Committee investigated in questioning a wide range of community safety issues, and explored the current activity areas and priority concerns of the ESCSP, the work of the Police in the borough, and areas in which the Council, ESCSP and Police could best work together. The discussion considered the importance of cooperation and information sharing among a range of matters.

5. Work with Housing Partners: Housing Associations

- 5.1. An overview of the Council's Housing work was provided to the Committee in February, which included information on the Council's current work with Raven Housing Trust, along with potential future work with both Raven and other housing associations. It was identified that additional information on the Council's housing activities and work with housing associations as part of the development of the Council's new Housing Strategy in the coming year. There was an opportunity for the Committee to ask questions regarding the Council's work in this area. It is expected that the Committee will continue to monitor the Council's work on housing and with housing associations in future.

6. Performance Monitoring

- 6.1. The Committee continued to monitor the Council's performance. This included reviewing the following information:
- Service Performance Management (quarterly);
 - Revenue and Capital Management (quarterly);
 - Risk Management (six monthly);
 - wider economic indicators and issues that affect public services (quarterly);
 - performance against the 5 Year Plan 2015-20 (annually).
- 6.2. The detailed information on performance variances and responses to Member questions was provided in the e-Members Room in support of this activity. More detailed information on service performance was also available from the e-Members Room.
- 6.3. The advance questioning procedure was utilised to support each quarterly performance report, and the Chief Executive, in regularly supporting meetings of the Overview and Scrutiny Committee, was able to answer additional questions on performance. Where the Chief Executive was unable to attend, an appropriate Management Team representative attended to provide continuity of support to the Committee.
- 6.4. The quarterly reports showed that the Council continued to perform well. Any comments from the Committee on performance were reported to the Executive for their consideration.

7. Audit

A Internal Audit

- 7.1. There were 14 Internal Audit reviews undertaken by RSM (the Council's Internal Audit contractor for 2018/19) in the 2018/19 period up to the end of March, and final reports for all of these audits have been issued. Each final report is provided in full on the e-Members Room and Members were invited to submit advance questions to Committee meetings on a quarterly basis. Exception reports are provided to the Committee where an audit identifies significant concerns. There were no exception reports required in 2018/19 as no major issues were identified by the audits. In June 2018 the Committee considered RSM's Annual Internal Audit Report for the year ended 31 March 2018, which provided a positive opinion on the overall adequacy of and effectiveness of the organisation's risk management, control and governance processes.
- 7.2. The Committee considered and provided observations on a proposed new internal audit partnership agreement arrangements, to support the Council's internal audit activities from 2019/20 onwards.
- 7.3. As delegated in the Council's Constitution, the Committee considered the proposed Internal Audit Strategy and Audit Plan for 2019/20 at the March 2019 meeting of the Committee. The Internal Audit Strategy and Audit Plan identify key risks facing the Authority, and the risks identified for 2018/19 were monitored throughout the year via the Internal Audit reviews.
- 7.4. In March 2019, the Committee considered the strategic risk register for 2019/20, which underpins the Council's internal audit approach, and had the opportunity to make any comments to the Executive.

B External Audit

- 7.5. The Committee received the annual report for the 2017/18 financial year from the External Auditors (KPMG) in September 2018.
- 7.6. The Committee were pleased to note that KPMG had been generally positive and that no major issues had been identified by the auditors. This confirmed that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The minor issues identified were noted to be being monitored and addressed.

8. Joint Scrutiny Arrangements in Surrey

- 8.1. Though the Committee has the facility to undertake joint scrutiny, no such reviews took place in 2018/19. The facility will be utilised in the future should a topic be identified that meets the criteria for collaborative scrutiny.

9. Strategy and Policy Development

- 9.1. The Committee commented on the following draft strategies and policies:
- Treasury Management Strategy 2019/20;
 - The expansion of recycling services in the borough;
 - Medium Term Financial Plan 2019/20-23/24 (through the budget scrutiny process).
 - The Council's outline Capital Investment Strategy 2019/20.
- 9.2. The Committee also received information on the developing Corporate Plan and Housing Strategy as part of briefings provided by Executive Members.
- 9.3. The Committee also received and considered the Schedule of Meetings for 2019/20.

10. Operational arrangements

- 10.1. As the Chairman of the Committee, I had regular meetings with the Chief Executive which focussed on delivering the Committee's work programme. I am particularly appreciative of this involvement and for the support of the Chief Executive at our meetings.
- 10.2. I am equally grateful for the support provided by the Leader of the Council, with whom I met to discuss the work of the Executive and the work of the Committee, and how these could continue to support and complement each other. In accordance with the Overview and Scrutiny Committee's Procedure Rules, the Committee's work programme for 2019/20 was discussed with the Leader.

11. Review Panels

- 11.1. The Committee had one Review Panel this year, as detailed below.

Budget Scrutiny Review Panel (Chairman: Cllr. Mr. N. Harrison)

- 11.2. The Budget Scrutiny Review Panel reviewed the Service & Financial Planning (Provisional Budget) 2019/20 report.
- 11.3. The Panel undertook a very robust review and considered over 100 advance questions along with further questions and comments that were raised within the meeting.
- 11.4. The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2018/19 and concluded that the budget proposals were sound, balanced and achievable. This also applied to the updated Capital Programme and Medium Term Financial Plan.
- 11.5. The Committee supported the conclusions of the Panel and provided its comments to the Executive for their final consideration of the Budget.

12. 'Call-in' of Executive Decisions

- 12.1. No 'Call-In's were received during 2018/19.

13. Community Call for Action

- 13.1 No Community Calls for Action were recorded during 2018/19.

14. Conclusion

- 14.1. The Committee recognises that the Council continues to focus on outcomes for residents and businesses and is responding well to continuing financial pressures and managing its processes in an efficient manner. The work of the Overview and Scrutiny Committee has maintained a streamlined approach in 2018/19 and in developing its work programme for 2019/20 has sought to continue this.
- 14.2. Nevertheless, the Committee has worked hard on behalf of the Council and community in scrutinising the Council's decision making process, holding Executive Members to account, and monitoring the Council's performance, as well as contributing to strategic policy development. All of this activity adds great value to the Council's processes and assists the Council to uphold a consistently high level of service.
- 14.3. Throughout this year, effort has been made to enhance the relationship between the Committee and the Executive, and thus to increase the effectiveness of the Committee's activities in support the Council. I am appreciative of the approach of the Leader and the Executive in supporting this improvement, and in working to address previous concerns of the Committee. I was pleased to welcome the Leader to the December meeting of the Committee to provide an update on the overall work of the Committee, and hope that this arrangement will continue in future.
- 14.4. In accordance with the Overview and Scrutiny Committee's Terms of Reference, the Council is requested to note this Annual Report.

**COUNCILLOR B.A. STEAD
CHAIRMAN,
OVERVIEW AND SCRUTINY COMMITTEE**

OVERVIEW AND SCRUTINY COMMITTEE

MEMBERSHIP 2018/19

All Councillors, except Members of the Executive, may be Members of the Overview and Scrutiny Committee and Panels appointed by it. However, no Member may be involved in scrutinising a decision in which he/she has been directly involved.

For information, the Membership of the Committee during 2018/19 was as follows:-

Councillor Mr. B.A. Stead (Chairman)

Councillors	Mr. T. Archer	Councillors	Mr. J.P. King
	Mr. M.S. Blacker		Mr. R. Michalowski
	Mr. R.W. Coad		Mr. D.T. Powell
	Mr. G.R. Curry		Mr. J.M. Stephenson
	Mr. J.C.S Essex		Mrs. A.F. Tarrant
	Mr. J.S. Godden		Ms. R.S. Turner
	Mr. N.D. Harrison		Mr. J.F. White

TERMS OF REFERENCE

The Terms of Reference of the Overview and Scrutiny Committee are set out below:-

(a) Scrutiny

- Review and scrutinise decisions made by, and the performance of the Leader / Executive decision maker, Committees and Council Officers excluding decisions on individual applications/cases;
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets or particular service areas;
- Make recommendations to the Leader / Executive decision maker, Committees or the Council arising from the outcome of the scrutiny process;
- Review and scrutinise the performance of other public bodies.

(b) Policy Review and Development

- Assist the Council [and the Executive] in the development of its budget and policy framework;
- Conduct research, community and other consultation on policy issues and possible options.

In relation to (a) and (b) above:

- Question the Leader / Executive decision maker, Committees, Directors, Chief Officers or Heads of Service;
- Liaise as necessary with external organisations;
- Question and obtain confirmation/advice from any other person/organisation.

(c) Budget/Resources

- To exercise responsibility for resources allocated to support the work of the Committee.

(d) Audit Responsibilities

- To consider the effectiveness of the Council's risk management arrangements;
- Approve the Council's internal audit strategy and monitor performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that appropriate action has been taken where necessary;
- Receive the annual report of the Chief Internal Auditor;
- Be consulted upon reports received from External Audit and other inspection agencies.

(e) Crime and Disorder

- That for the purposes of the Police and Justice Act 2006 that the Overview and Scrutiny Committee be designated as the Crime and Disorder Committee with the following remit:
 - (a) To review or scrutinise decisions made, or action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions;
 - (b) To make reports or recommendations to the responsible authority(s) with respect to the discharge of those functions.

(f) Joint Scrutiny

- The scrutiny and reporting functions set out in the Local Government and Public Involvement in Health Act 2007 and the Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2009 and any amendments made thereto, and in particular:
 - (a) The scrutiny of the improvement targets contained in the Surrey Local Area Agreement; and
 - (b) To make reports or recommendations to the LAA partners with respect to the matters that relate to a relevant LAA target.

(g) Generally

- To report annually to the Council on the Committee's work and (following consultation with the Executive) upon the future Work Programme for the Committee;
- To appoint panels as necessary to carry out and report upon the work of the Committee;
- To consider any valid Councillor Call for Action;
- To ensure effective scrutiny of the Treasury Management Strategy and procedures.

ATTENDANCE 2018/19

Overview and Scrutiny Committee		
No. of Meetings Held Not including 10 April	Members	No. of Meetings Attended Not including 10 April
7	Councillors Mr. B. Stead (Chairman) Mr. J.P. King (Vice Chairman) Mr. T. Archer Mr. M.S. Blacker Mr. R.W. Coad Mr. G.R. Curry Mr. J.C.S Essex Mr. J.S. Godden Mr. N.D. Harrison* Mr. R. Michalowski Mr. D.T. Powell Mr. J.M. Stephenson Mrs. A.F. Tarrant Ms. R.S. Turner Mr. J.C. White* Mr. J.F. White	5 6 7 7 7 7 7 1 3 6 2 4 5 5 3 5
	<p>*Councillor Mr. J.C White was a member of the Committee for the 4 meetings between 1 June 2018 and 31 December 2018, and Councillor Mr. N.D. Harrison was a member of the Committee for the 3 meetings between 1 January 2019 and 31 March 2019. Councillor Mr N.D. Harrison was also in attendance at the 11 October 2018 meeting of the Committee and present as a substitute at the 6 December 2018 meeting of the Committee, in addition to the number of meetings listed as attended above.</p>	

REVIEW PANELS 2018/19: ATTENDANCE

Panel	No. of Meetings Held	Members	No. of Meetings Attended
Budget Scrutiny Review	1	Councillors Mr. N. Harrison (Chairman) Mr. T. Archer Mr. G.R. Curry Mr. J.C.S Essex Mr. J.P. King Mr. B.A. Stead Mr. J. Stephenson	1 1 - 1 1 1 -
	Note:	Councillors Mr. M.A. Brunt (Leader of the Council), Mr. T. Schofield (Executive Member for Finance), Mr. R. Ashford, Mr. M.S. Blacker, Mr. V.H. Lewanski, Mr. C.T.H. Whinney, and Mr. J.F White were also in attendance.	