Bath & North East Somerset Council

Council

Date: Thursday, 13th September, 2018
Time: 6.30 pm
Venue: Council Chamber - Guildhall, Bath

To: All Members of the Council

Dear Member

You are invited to attend a meeting of the ***Council*** on ***Thursday, 13th September, 2018*** in ***Council Chamber - Guildhall, Bath.***

The agenda is set out overleaf.

Refreshments will be available for Councillors from 5pm in the Aix-en-Provence Room (next to the Banqueting Room) on Floor 1.

Yours sincerely

Jo Morrison
Democratic Services Manager
for Chief Executive

Please note the following arrangements for pre-group meetings:

Conservative	Brunswick Room, Ground Floor
Liberal Democrat	Kaposvar Room, Floor 1
Labour	Labour Group Room, Floor 2
Independent	Independent Group room

Jo Morrison
Democratic Services
Lewis House, Manvers Street, Bath, BA1 1JG
Telephone: 01225 39 4435
Web-site - http://www.bathnes.gov.uk
E-mail: Democratic_Services@bathnes.gov.uk

NOTES:
1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings**:-

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Public Speaking at Meetings**

The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** The Council now has a maximum time limit for this, so any requests to speak cannot be guaranteed if the list is full. Further details of the scheme:
https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942

5. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

6. Supplementary information for meetings

Additional information and Protocols and procedures relating to meetings
https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505

Council - Thursday, 13th September, 2018

at 6.30 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chairman will draw attention to the emergency evacuation procedure as set out under Note 8.

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. MINUTES - 12TH JULY 2018 (Pages 7 - 20)

To be confirmed as a correct record and signed by the Chair(man)

5. ANNOUNCEMENTS FROM THE CHAIRMAN OF THE COUNCIL OR FROM THE CHIEF EXECUTIVE

These are matters of information for Members of the Council. No decisions will be required arising from the announcements.

6. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

If there is any urgent business arising since the formal agenda was published, the Chairman will announce this and give reasons why he has agreed to consider it at this meeting. In making his decision, the Chairman will, where practicable, have consulted with the Leaders of the Political Groups. Any documentation on urgent business will be circulated at the meeting, if not made available previously.

7. QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM THE PUBLIC

The Democratic Services Manager will announce any submissions received. The

Council will be invited to decide what action it wishes to take, if any, on the matters raised in these submissions. As the questions received and the answers given will be circulated in written form there is no requirement for them to be read out at the meeting. The questions and answers will be published with the draft minutes.

8. POLICY DEVELOPMENT & SCRUTINY ANNUAL REPORT 2017-18 (Pages 21 - 38)

To consider the Policy Development & Scrutiny Annual Report for 2017-2018.

9. AVON PENSION FUND COMMITTEE ANNUAL REPORT (Pages 39 - 70)

The Committee's Annual report for the 12 months to 31 March 2018 is attached. The Committee's Terms of Reference have been amended to reflect the impact of pooling the investment assets on the governance arrangements. These require approval by the Council.

10. CORPORATE AUDIT COMMITTEE - ANNUAL REPORT (Pages 71 - 80)

The Corporate Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference. This is the Annual Report of the Committee which details its work over the last year.

11. COUNCIL COMPANY ANNUAL ACCOUNTS (Pages 81 - 134)

To note the annual accounts of Aequus Developments Limited (ADL), Aequus Construction Limited (ACL) and Bath Tourism Plus (BTP).

12. UPDATED FINANCIAL REGULATIONS AND BUDGET MANAGEMENT SCHEME (Pages 135 - 216)

The Financial Regulations and Budget Management Scheme were previously updated in 2015. These have now been reviewed and updated, and aligned with the new management structure that was put in place for April 2018.

13. REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS 2018 FINAL TIMETABLE (Pages 217 - 222)

On 7 August 2018 the Local Government Boundary Commission for England (LGBCE) published its final recommendations on the electoral review of Bath & North East Somerset Council's ward boundaries. In order to re-align the polling districts and polling places with the new scheme, the Council will conduct a review of polling districts, polling places and polling stations between September and December 2018.

14. ESTABLISHMENT OF JOINT VENTURE PARTNERSHIPS (Pages 223 - 230)

To agree the establishment of Joint Venture Partnership(s) with other public bodies for the purpose of delivering local housing developments subject to specific business cases for each Joint Venture.

15. MOTION FROM THE LABOUR GROUP - PERMITTED DEVELOPMENT FOR SHALE GAS EXPLORATION & INCLUSION OF SHALE GAS PRODUCTION IN THE

NATIONALLY SIGNIFICANT INFRASTRUCTURE PROJECT REGIME (Pages 231 - 232)

16. MOTION FROM THE LIBERAL DEMOCRAT GROUP - AUTISM AWARENESS (Pages 233 - 234)

17. QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM COUNCILLORS

The Democratic Services Manager will announce any submissions received. The Council will be invited to decide what action it wishes to take, if any, on the matters raised in these submissions. As the questions received and the answers given will be circulated in written form there is no requirement for them to be read out at the meeting. The questions and answers will be published with the draft minutes.

The Committee Administrator for this meeting is Jo Morrison who can be contacted on 01225 394358.

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BATH AND NORTH EAST SOMERSET COUNCIL

MINUTES OF COUNCIL MEETING

Thursday, 12th July, 2018

Present:- **Councillors** Patrick Anketell-Jones, Rob Appleyard, Tim Ball, Colin Barrett, Jasper Becker, Sarah Bevan, Colin Blackburn, John Bull, Neil Butters, Anthony Clarke, Matt Cochrane, Craig, Paul Crossley, Chris Dando, Matthew Davies, Sally Davis, Douglas Deacon, Emma Dixon, Michael Evans, Andrew Furse, Charles Gerrish, Lizzie Gladwyn, Bob Goodman, Francine Haeberling, Liz Hardman, Steve Hedges, Deirdre Horstmann, Eleanor Jackson, Steve Jeffries, Les Kew, Marie Longstaff, Barry Macrae, Paul May, Shaun Stephenson-McGall, Alison Millar, Robin Moss, Paul Myers, Michael Norton, Lisa O'Brien, Michelle O'Doherty, Lin Patterson, June Player, Joe Rayment, Dine Romero, Richard Samuel, Will Sandry, Mark Shelford, Brian Simmons, Peter Turner, David Veale, Martin Veal, Karen Walker, Geoff Ward, Tim Warren and Karen Warrington

Apologies for absence: **Councillors** Cherry Beath, Ian Gilchrist, Alan Hale, Bryan Organ, Vic Pritchard, Liz Richardson, Caroline Roberts, Nigel Roberts and Chris Watt

13 EMERGENCY EVACUATION PROCEDURE

The Chair drew attention to the emergency evacuation procedure, as set out on the agenda.

14 DECLARATIONS OF INTEREST

Councillor Paul May declared a disclosable pecuniary interest in item 7 (Public statements) as a non executive Director of Sirona, and left the meeting while the public statement on this issue was being made.

Councillor Paul Crossley declared a disclosable pecuniary interest in item 7 (Public statements) as his wife is a former employee of Sirona and receives a small pension for this. The Monitoring Officer issued a dispensation for this item.

Councillor Joe Rayment declared a disclosable pecuniary interest in item 9 – Youth Justice Plan, as Project 28 (mentioned in the report) is a DHI service, for whom Councillor Rayment works. He left the meeting for the duration of this item.

Councillors Mark Shelford, Charles Gerrish, John Bull, Lin Patterson and Liz Hardman declared an ‘other’ interest in item 13 – Environmental Sustainability motion, as shareholders (below the financial threshold) in the Bath & West Community Energy Company.

Councillors Robin Moss, Tim Warren, Jasper Becker and June Player declared a disclosable pecuniary interest in items 14 & 16 – Short Term Lets, as having involvement in properties that are rented out.

Councillor Neil Butters, Colin Blackburn and Martin Veal declared an 'other' interest in items 14 & 16 – Short Term Lets, due to business or family links with rented accommodation.

The Monitoring Officer issued a general dispensation for all Councillors with interests in Airbnb, short term lets, hotels, guest houses etc to enable them to take part in the debate and vote.

15 MINUTES - 10TH MAY 2018

Councillor Dine Romero sought clarification on a point of accuracy, which was clarified by the Monitoring Officer.

On a motion from Councillor Steve Hedges, seconded by Councillor Tim Warren, it was

RESOLVED that the minutes of 10th May 2018 be confirmed as a correct record and signed by the Chair.

16 ANNOUNCEMENTS FROM THE CHAIRMAN OF THE COUNCIL OR FROM THE CHIEF EXECUTIVE

The Chair made the customary announcements regarding mobile phones, webcasting, Councillors accessing meeting papers via their ipads and a comfort break. She explained that the exempt item 15 would be brought forward to before item 14.

She then welcomed Councillor Sue Craig as the new Councillor elected for Kingsmead ward on 5th July 2018.

She concluded by congratulating the Council's Environment & Design Team's WaterSpace partnership project on reaching the top 2 in the Canals & Rivers Trust UK Living Waterways Award 2018, for best large scale community engagement project relating to the river and canal.

17 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

There were no items of urgent business.

18 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM THE PUBLIC

Statements were made by the following members of the public;

Paul Roles made a statement setting out a series of problems regarding Curo accommodation in Kingsmead including locked bin stores, laundry rooms and bike facilities. He explained that, due to recent changes in waste collection and locked bin rooms, waste may be outside for days for seagulls to attack. He asked for help from the Council to solve these problems. Councillor Dine Romero noted Paul's comment that there had been no notice of locked facilities and asked about the impact of these on residents. Paul responded that 70% of the residents at Rosewall

Court on Monmouth Street were classed as vulnerable, having come from DHI, and explained some of their difficulties. Councillor Sarah Bevan asked Paul if Curo had responded by increasing residents' service charges to which Paul responded that they had doubled in the last year. The Chair thanked Paul for his statement which would be forwarded to the relevant Cabinet Member.

David Redgewell made a statement about the cross country rail franchise. He explained there was only one train a day from Bath to York which they want to withdraw and mentioned other issues about the service and level of the rolling stock. He commented that a response was needed by the Metro Mayor, with input from B&NES. Councillor Neil Butters asked whether a cross party approach with WECA would be the most appropriate response when facing up to this, to which David responded that would be the best way and added that the route knowledge of cross country staff needed to be maintained. Councillor Robin Moss asked if David knew what the Metro Mayor was doing about this; David responded that the Mayor was sending officers to meetings, there was a scrutiny panel coming up, and then the Board meeting and it was vital that the Mayor led on a response to this. The Chair thanked David for his statement and referred it to the relevant Cabinet Member.

Hannah Powell from the Youth Parliament made a statement about bus transport in North East Somerset which she described as being practically non-existent. She called on the Council to exert their influence to improve the service, particularly with regards to young people. She queried why over 16s, still in full time education, were charged adult fares, making travel very expensive for them. She suggested various ways this could be improved, citing examples from other UK cities, and outlined the improvements this would mean to air quality amongst other benefits. She concluded by calling on Councillors to recognise young people as worthwhile to the Council. Councillor Tim Warren thanked Hannah for her statement and invited Youth Parliament members to meet with him and First Bus. Councillor Neil Butters asked if Hannah thought that cheaper and more frequent buses would have an effect on congestion, to which she responded that she absolutely agreed and mentioned the Wellsway during rush hour as being a nightmare. Councillor John Bull hoped that Hannah would come and speak to the Communities, Transport & Environment Policy Development & Scrutiny Panel and asked if she was aware that it was WECA who would be responsible for putting in place many of the initiatives Hannah had mentioned, and also asked whether she was aware that a Labour government would put in place free transport for under 25s. Hannah replied that free transport would be great but they needed to work now with the current government to make improvements. In response to a question from Councillor Sarah Bevan asking for Hannah's opinion of the single worst thing about the current situation, Hannah replied that it was the feeling of being ignored. She added that First Bus knew how many people relied on the bus service and yet the service was still so unreliable, leading to many young people being effectively isolated. The Chair thanked Hannah for her statement which would be forwarded to the relevant Cabinet Member.

Joel Hirst presented a petition to Council regarding secondary school places (240 signatures, a further 40 to follow) asking for the Council to review the policies on secondary school places. He expressed concern about the disadvantage to families in the south west of Bath accessing their school of choice, the lack of local school places for these children, the time and cost impact of children travelling from south west Bath to St Mark's school and the impact of this travel on Bath traffic. He called on the Council to provide a secondary school local to south west Bath, put in appropriate transport arrangements and address the injustice of the current admissions policies. Councillor Dine Romero asked if Joel thought that admissions policies should be looked at collectively, to which Joel responded that that would be helpful as Ralph Allen's was geared towards those from outside the city, and they needed looking at in the round. Councillor Joe Rayment asked if Joel was aware that Councillor Rayment had an active complaint lodged with the Office of the Schools Adjudicator about the Beechen Cliff policy of 40, 40, 20 as it excludes pupils from the south west of Bath. Joel replied that he had been aware of Councillor Rayment raising this issue generally, but hadn't known about the specific complaint. Councillor Sarah Bevan asked if Joel considered the academy programme had made this situation worse, to which he responded that he didn't know the details but was aware that the Council now had less of a role in effecting a change. The Chair thanked Joel for his statement which would be referred to the relevant Cabinet Member.

Mel Clarke, a support worker at St John's Court, made a statement to the meeting. She explained the recent changes that Sirona had proposed to pay and hours, and described how many of her colleagues, the majority of whom had their own caring responsibilities, could not afford to take a pay cut. Councillor Steve Hedges asked about how many residents they typically looked after in a week, and how vital was the rest break, to which Mel responded that they rarely managed to have the rest break, and that in a 5 hour shift, they would make about 24 visits. Councillor Robin Moss asked, when workers were underpaid, overworked and undervalued, they managed to maintain the standard of care. Mel responded that it was hard but they kept a professional attitude and supported each other. She called on the Council to follow the lead of Bristol City Council and the work they had recently done to transform their care sector. Councillor Sarah Bevan asked about how the nature of the rest break worked in practice, to which Mel responded that she thought they were supposed to stay on the premises and it rarely really happened. Councillor Paul Crossley asked if the statement could referred to Scrutiny. The Chair thanked Mel for her statement which would be referred to the relevant Cabinet Member and Health & Wellbeing Select Committee.

Sharon Gillings made a statement to Council about the experience of Curo residents, a full copy of which has been placed on the Minute book and added to the online minutes. Councillor Bob Goodman asked Sharon if she was aware that officers had been meeting with Curo over the last 3 months, and Curo were now about to invest considerable sums to address some of the problems she had raised. Sharon responded that she welcomed this, but that the bins were only a small part of the failing. Councillor Andy Furse asked if Sharon was aware of similar issues relating to Knightstone and Sanctuary Housing Associations about which he had raised a question at Cabinet, and asked if Sharon would agree that the Cabinet needed to be more proactive about this. Sharon responded that she was aware that others had their problems but as Curo was next to her surgery, she had focussed on that. Councillor Robin Moss asked Sharon, in her capacity as a GP, to explain any potential health hazards resulting from these problems. Sharon responded that poor housing underpinned every part of a patient's physical and mental wellbeing. Councillor Sarah Bevan referred to a comment Sharon had made about not getting responses to emails to Curo, and offered the option of taking contact through the dedicated email Councillors have been given to deal with residents' issue. Sharon acknowledged there were other access points but wanted to make sure residents received responses to their emails, and described the unacceptable complaints process. The Chair thanked Sharon for her statement which would be referred to the relevant Cabinet Member and Communities, Transport & Environment Policy Development & Scrutiny Panel.

Michael Lee-Wright from the Motor Neurone Disease Association made a statement asking Members to support the Motor Neurone Disease Charter. He spoke about his own experience of living with this condition for the last 9 years and the devastating effect it has, making even the smallest activity difficult. He explained the complex and expensive adaptations that sufferers usually needed to make to their homes. Councillor Dine Romero asked if Michael was aware how many people in B&NES have Motor Neurone Disease, to which he responded that he wasn't sure but was aware of about 20 in the area. Councillor Sarah Bevan asked what would be the single most helpful thing that Councillors could do, to which Michael responded that he was aware of how many demands there were on Councillors and that raising awareness was key. He explained that small adaptations made a huge difference eg; size of parking spaces, height of rails etc so ideally this could be considered through service provision. The Chair thanked Michael for his statement which was referred to the relevant Cabinet Member for consideration.

Following a point of order being raised about actions that Council could take with regards to statements, the Chief Executive clarified that Council could agree to refer a statement to a Policy Development & Scrutiny Panel, which did not bind the Panel, but took the form of a request to a PDSP Chair to consider an item for their Panel as part of agenda planning.

19 REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS 2018

The Council considered a report concerning the forthcoming publication from the Local Government Boundary Commission for England of its final recommendations on the electoral review of Bath & North East Somerset, and the consequent need to re-align the polling districts, places and stations. This report notes the review process and timetable for implementation.

On a motion from Councillor Tim Warren, seconded by Councillor Dine Romero, it was unanimously

RESOLVED

1. To note the statutory requirements of the review process; and

2. To approve the timetable for the implementation of the review.

20 YOUTH JUSTICE PLAN 2018 - 2019

The Local Authority has a statutory duty, in consultation with key partner agencies Health, Police and Probation, to produce an annual Youth Justice Plan.

On a motion from Councillor Paul May, seconded by Councillor Michael Evans, it was unanimously

RESOLVED

1. To agree that the Youth Justice Plan fulfils the requirements of the Crime and Disorder Act 1998 and can be submitted to the Youth Justice Board for England and Wales;

2. That the Youth Justice Plan is adopted as part of the Council's Policy and Budget Framework and can be accommodated within the Council budget; and

3. That the relevant Policy Development and Scrutiny Panel oversees progress and performance.

21 STANDARDS COMMITTEE ANNUAL REPORT 2017-18

The Council considered the Standards Committee Annual report for 2017-18.

On a motion from Councillor Sarah Bevan, seconded by Councillor Sally Davis, it was unanimously

RESOLVED to note the work of the Standards Committee as set out in the Annual report.

22 TREASURY MANAGEMENT OUTTURN REPORT 2017/18

The Council considered a report giving details of performance against the Treasury Management Strategy and Annual Investment Plan 2017/18.

On a motion from Councillor Charles Gerrish, seconded by Councillor Paul May, it was unanimously

RESOLVED

1. To note the Treasury Management report to 31st March 2018, prepared in accordance with the CIPFA Treasury Code, is noted;

2. To note the Treasury Management Indicators to 31st March are noted.

23 AMENDMENTS TO THE CONSTITUTION AND RELATED BUSINESS

The Committee considered a report setting out various proposed amendments to the Constitution. The Monitoring Officer made reference to 2 minor amendments which she had already approved, which she would circulate separately to Members for information.

On a motion from Councillor Tim Warren, seconded by Councillor Dine Romero, it was unanimously

RESOLVED

1. To agree the revised Officer delegation scheme (Part 3, Section 4 A-E) as set out in Appendix 1;

2. To agree the revised Proper Officer functions table (Part 3, Section 4 C-1) as set out in Appendix 2;

3. To agree the revised Development Management delegation scheme (Part 3 – Responsibility for Functions) as set out in Appendix 3;

4. To agree the revised Housing Services delegation scheme (Part 3 – Responsibility for Functions) as set out in Appendix 4;

5. To agree the proposed revisions to the Employment rules (Part 4K) as set out in Appendix 5;

6. To agree the revised Restructuring Implementation Committee Terms of Reference (Part 5) as set out in Appendix 6; and

7. To agree that the Indemnities Scheme for Members and Officers be amended to specifically mention panel and co-opted Members.

24 MOTION FROM THE CONSERVATIVE GROUP - ENVIRONMENTAL SUSTAINABILITY

On a motion from Councillor Mark Shelford, seconded by Councillor Paul Crossley, it was unanimously

RESOLVED that

This Council:

- Notes that, since last summer the Environmental Sustainability Partnership Board has been working on a new Sustainability vision statement to bring to Full Council as a motion to reaffirm the Council's position on, and commitment to, sustainability.

- Therefore resolves to adopt the following as its Environmental Sustainability Vision Statement, in recognition of the importance of sustainability to everything the Council does:

B&NES Environmental Sustainability Vision Statement 2018:

Environmental sustainability is about our ability to survive and thrive into the future. Everything else that we seek to achieve – such as improved health and well-being and economic prosperity - is dependent on a clean environment and stable climate.

In Bath & North East Somerset, our ambition is to provide the leadership to enable the whole community to benefit from an environmentally sustainable, healthy, low carbon future that is resilient to changes in our climate. We seek to be a leading place for innovation and achievement in pursuit of these goals.

Benefits:

- Cleaner, greener and more affordable energy with more of it produced and owned locally
- Warmer and cheaper to run homes and businesses
- Less traffic and congestion, cleaner air & streets where people can walk and cycle easily, including increased pedestrianisation
- Healthier and more sustainable local food supply
- New jobs from increased local food and energy production, increased home energy retrofitting, growth in local circular economy
- Reduction in waste production, increase in recycling rates and energy from food waste
- Increased local stewardship of local water resources and better flood resilience
- Enhanced beauty of the local natural environment and increased public engagement
- Increased ability to withstand changes to the climate through greater local food and energy security

Enabling Partnerships, Strategies & Action Plans:

- There are a range of relevant partnerships, strategies and action plans that enable action on sustainability, locally and within the West of England. Please see Appendix (i) for the full list.

Approach:

The Environmental Sustainability Partnership's strategic approach to leading and supporting action utilises three principles:

- **Partnership Working**: Bringing together the right people to make things happen
- **Community Enablement**: Enabling residents and community groups to achieve their sustainability aims
- **Leading by Example**: Bold action from the Council and our partners.

<u>Appendix (i): List of Enabling Partnerships, Strategies & Action Plans</u>

- B&NES Environmental Sustainability Partnership:
    - Environmental Sustainability & Change Strategy
    - Local Food Strategy
    - Community Energy Strategy
    - Bath & West Community Energy Co-operation Agreement
    - Keynsham Community Energy Co-operation Agreement

- Other B&NES Partnership Strategies
    - Health & Well-being Strategy and Healthy & Sustainable Places Group
    - Green Infrastructure Strategy
    - Fit for Life Strategy

- Council Service Delivery Strategies & Plans:

    - Transport Strategies
    - Air Quality Action Plans
    - Waste Strategy

- Planning Framework:
    - Core Strategy & Place Making Plan
    - Local Plan

- Beyond B&NES Partnerships & Plans:
    - West of England Nature Partnership
    - Bristol Avon Catchment Partnership
    - West of England Energy Strategy (in development)
    - West of England Joint Strategic Plans and Joint Transport Plans

25 MOTION FROM THE INDEPENDENT GROUP - MOTOR NEURONE DISEASE CHARTER

On a motion from Councillor Sarah Bevan, seconded by Councillor Anthony Clarke, it was unanimously

RESOLVED that

Council notes that:

- Motor Neurone Disease is a fatal, rapidly progressing disease that affects the brain and spinal cord.

- It can leave people locked in a failing body, unable to move, talk and eventually breathe.

- A person’s lifetime risk of developing MND is up to one in 300.

- It kills around 30% of people within 12 months of diagnosis, more than 50% within two years.

- It affects people from all communities

- It has no cure.

The Motor Neurone Disease Association (MNDA) has recently published a Motor Neurone Disease Charter which it is asking Local Authorities to adopt.

Council resolves to

note the charter and support its principles and seek to ensure they are met within our services, strategies and commissioning arrangements.

The Charter:

1. People with MND have the right to an early diagnosis and information.

2. People with MND have the right to access quality care and treatments.

3. People with MND have the right to be treated as individuals and with dignity and respect.

4. People with MND have the right to maximise their quality of life.

5. Carers of people with MND have the right to be valued, respected, listened to and well supported.

26 MOTION FROM THE LABOUR GROUP - SHORT TERM LETTINGS

On a motion from Councillor Joe Rayment, seconded by Councillor Robin Moss, it was

RESOLVED that

Council notes:

1. Home-sharing services are often attractive to tourists and they provide direct income to host households. However, regulation has been slow to keep up with the growth in these services and the impact they have on both the housing market and on amenity issues for residents;

2. In Bath and North East Somerset, we are experiencing a housing crisis, yet at the same time, properties are being removed from the private rental market as the earnings from short-term lettings can prove lucrative to landlords;

3. The difficulty in obtaining accurate figures around short-term lettings as there is no requirement to notify the Council of an intention to use a property in this way.

4. A report by Tom Copley (London Assembly Member) highlights recent changes to legislation allowing the short-term letting of whole residential properties for up to 90 days in a calendar year in London but that the report also identifies a need for additional measures to enable London authorities to investigate and effectively enforce the new legislation.

5. The B&NES Visitor Accommodation Study which this Council has commissioned to help provide evidence for the Local Plan includes considering the extent of and growth in short-term holiday lets and the implications and problems of short-term lets in relation to, for example, both the housing stock and the operation of other forms of visitor accommodation.

6. The Leader of Council has written to the Minister asking for a new use class to be introduced for short-term lets so that they are differentiated from dwelling houses.

7. The owners of properties available for short-term lets for up to 140 nights per year are liable for Council tax.

8. The Planning, Housing & Economic Development Policy Development & Scrutiny Panel is due to discuss short term holiday lets at its September meeting, which will provide an additional opportunity for public engagement and evidence gathering.

Council believes that:

9. There is a need to find effective solutions which allow legitimate home-sharing to continue while at the same time addressing the widespread concern about the growing professionalised sector.

10. Bath & North East Somerset should be able to benefit from a change in legislation in the way that London has, and that, at the same time, the lessons should be learnt from the London experience with additional measures and resources to support enforcement of any new law.

11. There isn't a level playing field when hoteliers and registered B&Bs running legitimate businesses must comply with health and safety rules and licensing rules and contribute to the Council funds with business rate payments whilst 'Short Term Lets' do not.

12. This discrepancy could have implications on the health and safety grounds.

13. The increase in Party Houses is having a detrimental impact on communities.

14. Residential properties are lost to the tourist industry when they are badly needed for families.

Council agrees therefore to ask the Leader of Council to:

15. Continue discussions with the Secretary of State for Housing, Communities and Local Government asking for:

    a. A change in the law around short-term lets, limiting the short-term letting of whole residential properties to 90 days in a calendar year;
    b. Other legislative measures such as a change to the use classes order, to make short-term holiday lets its own specific use class so that they are differentiated from dwelling houses;
    c. The resources and tools needed to ensure that the costs of implementing any new legislation do not fall on Council taxpayers and to enable effective enforcement including, but not limited to, the introduction of a requirement that short-term lettings hosts must register with the Local Authority and that home-sharing platforms must share details of property owners suspected of breaching any new requirements;
    d. Support with the creation of an ombudsman by the home-sharing platforms paid for by the industry to address home-sharing fraud, help with enforcement, resolve disputes and investigate complaints.
    e. Assurances that the costs of implementing any new legislation do not fall on Council taxpayers;

f. <u>Tools to enable effective enforcement such as the introduction of a requirement that short-term lettings hosts must register with the local authority and that home-sharing platforms must share details of property owners suspected of breaching any new requirements;</u>
g. <u>The introduction of a licensing and registration scheme to enable effective monitoring and control of anti-social behaviour and the use of enforcement powers where appropriate;</u>
h. <u>The same regulatory framework for short-term lets and other forms of visitor accommodation;</u>
i. <u>Any future Tourism Levy to apply to short-term lettings;</u>
j. <u>An extension to the defined exemptions for "sole or main residence" within the Housing Act 2004 to include properties wholly used as short-terms holiday lets, thus enabling them to be subject to a licencing scheme.</u>

16. Write to Housing Associations asking them to remind their tenants that they must not sub-let their homes.

[Notes;
1. *The underlined wording in resolutions 2, 7 ('available'), 11-14, 15, 15b and 15e-i above was proposed by Councillor Tim Warren, and accepted into the substantive motion by the mover and seconder of the motion.*
2. *The underlined wording in resolution 7 ('nights') was proposed by Councillor Dine Romero and accepted into the substantive motion by the mover and seconder of the motion.*
3. *The underlined wording in resolutions 8 and 15j was proposed by Councillor Will Sandry and accepted into the substantive motion by the mover and seconder of the motion.*
4. *The above resolutions were carried with one Councillor abstaining (Councillor Lin Patterson) and all other Councillors voting in favour.]*

27 MOTION FROM THE LIBERAL DEMOCRAT GROUP - UNREGULATED SHORT TERM HOLIDAY LETS

Following a full debate on this issue on the previous item on the agenda, Councillor Will Sandry withdrew this motion.

28 MOTION FROM THE LIBERAL DEMOCRAT GROUP - SOMERSET COUNCILS

On a motion from Councillor Paul Crossley, seconded by Councillor Dine Romero, it was

RESOLVED that

Council notes:

1. Discussions within Somerset councils to create one or more unitary councils to replace the current county and district model.

2. Media reports that the Leader of B&NES Council is 'interested in pursuing' a three-unitary model covering the area currently served by Somerset County, B&NES and North Somerset Councils.

3. That plans to replace nine councils in Dorset with two unitary authorities are now subject to a judicial review.

Council:

4. Believes it is appropriate for B&NES Council to be involved in discussions about future local government structures in Somerset.

5. Agrees that the creation of a Somerset super-unitary authority incorporating B&NES Council would be undesirable and would not benefit B&NES residents.

6. Believes that evidence would be required to show whether a unitary authority covering the areas of B&NES and Mendip District Councils would be of benefit to residents and businesses in both areas before any further steps are taken.

7. Instructs the Leader to ensure that discussions on this issue are carried out with full transparency and that no formal processes are to take place without democratic oversight by Council.

Notes;

1. *The above resolution was carried with 38 Councillors voting in favour, 9 Councillors voting against and 2 abstentions.]*

29 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM COUNCILLORS

There were no items from Councillors.

The meeting ended at 9.55 pm

Chairman ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	**Council**
MEETING:	**13th September 2018**
TITLE:	**Policy Development & Scrutiny Annual Report 2017-2018**
WARD:	All
List of attachments to this report: Policy Development & Scrutiny Annual Report (2017-2018)	

1 THE ISSUE

1.1 To consider the Policy Development & Scrutiny Annual Report for 2017-2018.

2 RECOMMENDATION

The Council is asked to;

2.1 The Council is asked to note the work of the Policy Development & Scrutiny Panels and Health Select Committee, as set out in the Annual Report attached at Appendix 1.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 There are no direct implications arising from this report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Policy Development & Scrutiny Chairs & Vice Chairs Group are not required to produce an annual report however it is good practice to do so.

5 THE REPORT

5.1 The Policy Development & Scrutiny Chairs & Vice Chairs Group agreed it would provide an annual report to the Council summarising the work of the Scrutiny over the previous year.

6 RATIONALE

6.1 As part of our statutory duty the Council is required to appoint at least one Overview and Scrutiny Committee / Panel that will have sole responsibility to discharge the functions under Sections 9F and 9FA to 9FI of the Local Government Act 2000, as relevant to the Council's statutory duties and responsibilities. Our current model includes; 4 Policy Development & Scrutiny Panels and 1 Health & Wellbeing Select Committee. They provide a system of checks and balances implemented by Councillors who monitor the activity of the Cabinet members and assist them in developing policy.

6.2 The PDS chairs and vice chairs group have an oversight of the work of each of the Panels and responsibility for coordinating the Councils scrutiny activity. Each of the Chairs has provided a synopsis of the work that they have carried out this year.

6.3 The Annual Report provides an opportunity to highlight some of the positive work carried out by the Panels and Committee both internally / externally, and particularly with partners and agencies involved with scrutiny throughout the year.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 CONSULTATION

8.1 None.

9 RISK MANAGEMENT

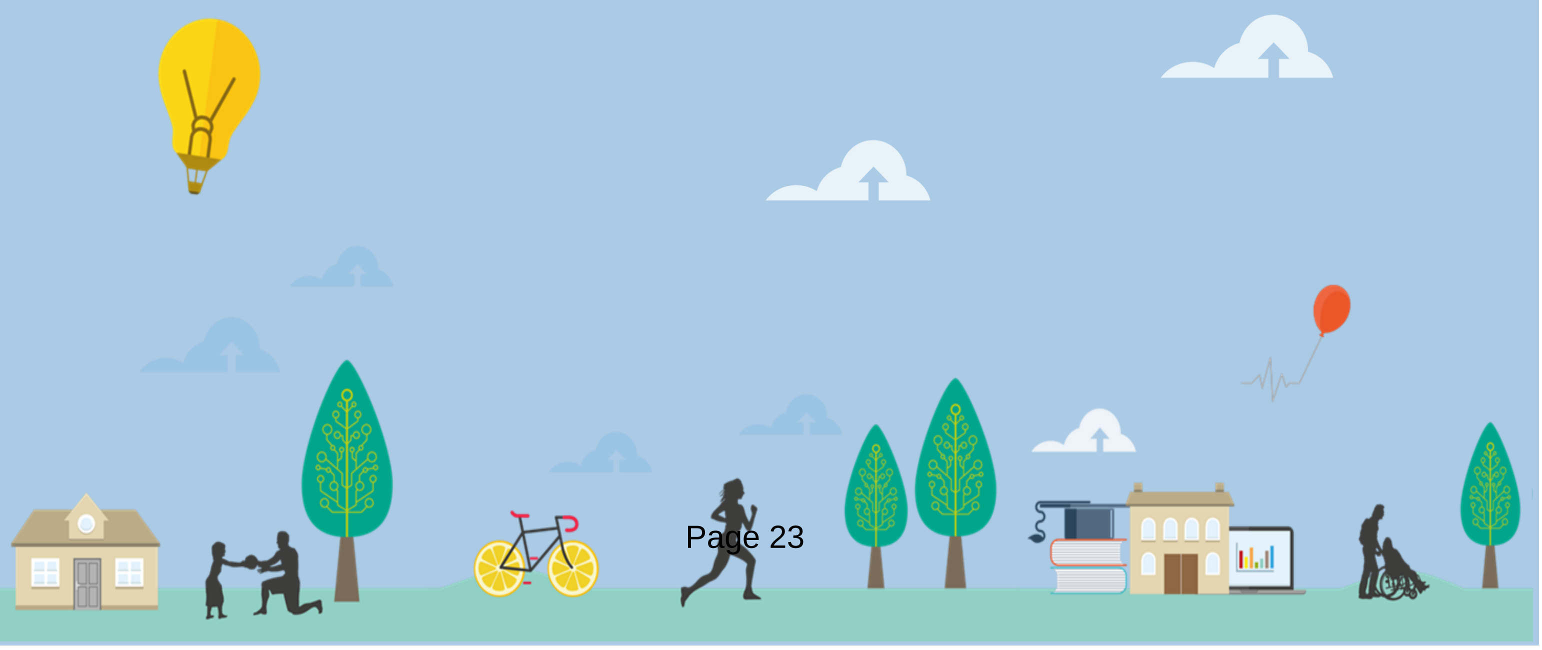
9.1 A risk assessment was not required.

Contact person	*Donna Vercoe, Senior Scrutiny Officer, 01225 396053*
Background papers	*none*
Please contact the report author if you need to access this report in an alternative format	

Bath & North East Somerset Council

Policy Development & Scrutiny Annual Report

2017 – 2018



Foreword - Cllr Will Sandry

May I take this opportunity to thank everyone who has played a part, no matter how small, in making this year a great year for scrutiny. PDS Panel members have increasingly worked with executive Cabinet members who are regular attendees at the Panel meetings. We extend our thanks to Councillors, businesses and residents who have contributed, and specifically those council officers without whose support we would not be so effective.

Each of the Panels / Committee, has had the opportunity to examine the future plans at their respective meetings and attempted to ensure that the Council is able to deliver its services and meet the needs of our local residents in Bath & North East Somerset.

In Bath & North East Somerset Policy Development & Scrutiny is about making a difference and improving the lives of the people who live and work here. The panels and Health & Select Committee have continued to contribute to some significant pieces of work over the course of the year and have made great steps in demonstrating how Scrutiny can have a real influence and add value to local decision making.

We do this by ensuring that:-

- the decision-making processes are clear and accessible to the public and that the people making those decisions are held accountable, in a sense it provides a “critical friend” and challenges executive policy makers or decision makers.
- Scrutiny is a powerful tool for empowering communities and enabling local people through their democratically elected representatives to participate in decisions which affect their day to day lives.
- We can examine issues that impact on Bath and North East Somerset residents, businesses and visitors. In doing so, we promote issues which are of relevance to local people, and actively engage them in the scrutiny process.
- Through working collaboratively, councillors have the opportunity to dig deep, and discuss the key issues that matter most to our local community.

However, we also recognise that there is still more work that could be done to carry out our ‘*Critical friend role’* and we have been exploring ways to improve this. One way has been by ensuring that agenda items add value, by piloting prioritisation work programme form for each item to ensure that it meets a certain robust criteria before being added to the forward plan.

I hope that this report provides you with a flavour of some of the excellent work that the Policy Development & Scrutiny Panels have done this year.

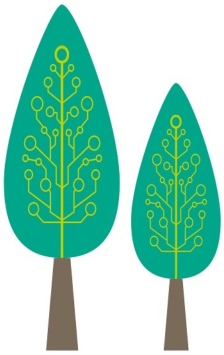
Cllr Will Sandry

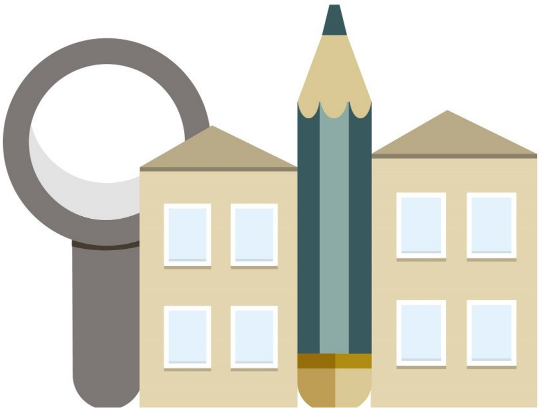
Chair of PDS Chairs and Vice Chairs Group

The Annual Report

The Annual Report is structured into the following sections:

1. Key Information about Scrutiny
2. Panel Membership
3. Scrutiny Committee work
4. Scrutiny Inquiry
5. Call-in of decision
6. Community involvement





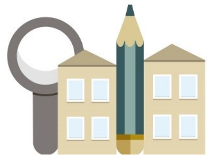
1 Key Information about Scrutiny

Residents and stakeholders can get involved by:

- attending public meetings
- giving evidence to one of the panels; and
- sending in comments about a review.

Work planning allows:

- A focus on specific areas of service delivery;
- To question whether recommendations could improve a service;
- Call other public bodies to account; and
- Enable joint panels to potentially be convened.

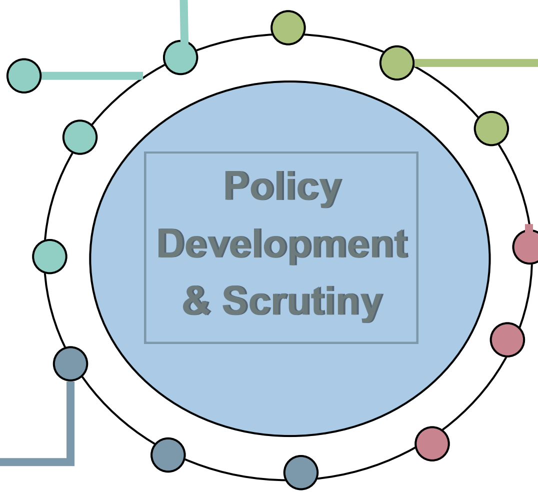


The Function consists of:

(4 PDS Panels) :-

- Children & Young People **(CYP)**
- Resources
- Communities Transport and Environment **(CTE)**
- Planning Housing & Economic Development **(PHED)**

(1 Select Committee) Health & Wellbeing **(HWSC)**



Scrutiny doesn't:

- Make decisions about council policies and services but instead makes recommendations to the Cabinet or Council
- deal with individual queries or complaints; or investigate planning or licensing decisions.

Meetings:

- The public are welcome to attend
- Last typically 2-3 hrs;
- Meet regularly (during daytime and evenings)
- Have a formal structure, but are run in an accessible way
- Papers published at www.bathnes.gov.uk and at council information points.

2 PDS Panel membership 2017-2018

Planning Housing & Economic PDS Panel

Will Sandry (Chair)	Barry Macrae (Vice Chair)
Colin Blackburn	Lisa O'Brien
Rob Appleyard	David Veale
Liz Richardson	

Communities Transport & Environment PDS Panel

John Bull (Chair)	Brian Simmons (Vice Chair)
Peter Turner	Alan Hale
Neil Butters	Michael Evans
Ian Gilchrist	Richard Samuel
Patrick Anketell-Jones	

Resources PDS Panel

Sarah Bevan (Chair)	Lisa O-Brien (Vice Chair)
Joe Rayment	Jasper Becker
Patrick Anketell-Jones	Sally Davis
Andrew Furse	

Children & Young People PDS Panel

Alison Millar (Chair)	Matt Cochrane (Vice Chair)	
Sally Davis	Michelle O'Doherty	Peter Turner
Liz Hardman	Karen Warrington	Lizzie Gladwyn
Chris Batten (Co-opted non -voting)	Andrew Tarrant (Co-opted voting)	David Williams (Co-opted voting)
Kevin Burnett (Co-opted non-voting)		

Health & Wellbeing Select Committee

Francine Haeberling (Chair)	
Geoff Ward	Tim Ball
Bryan Organ	Lin Patterson
Eleanor Jackson	Lizzie Gladwyn

Planning, Housing & Economic PDS Panel

This year the Panel was able to input into a range of policy developments, such as the 'Empty Residential Property Policy 2018', & the proposed policy development to explore the implications of losses of office to residential space, as well as feeding into some major plans including the draft Master Plan for Bristol Airport.

There was a large focus this year on Houses of Multiple Occupancy and the impact that this is having on our local residents was raised at several of our Panel meetings. The Panel questioned future plans surrounding this and helped to ensure that our local residents voices were being heard during the consultation and information gathering stages of the various pieces of work being developed.

The Panel also provided input into the directorate plans and questioned how we will deliver our key priorities within the current financial climate.

Cllr Will Sandry
Chair Planning, Housing & Economic Development PDS Panel

Panel considered the options for the review of Houses of Multiple Occupancy (HMO's)

In July 2017 the Panel was asked to consider the options for HMO'S as part of the supplementary documents. The Panel listened to residents concerns, that Bath is struggling to:-

⇒ support the increasing expansion of students at both universities

⇒ manage the number of developers turning family home into HMO's for students

⇒ manage the decreasing housing stock

⇒ Landlords or students not paying council tax, leading to a loss of Income to B&NES

⇒ Cope with the issues of rubbish, increased parking, and anti-social behaviour

The Panel supported the Cabinet Members review of HMO Policy and recognised that the Council need to enhance the data on the number of HMO's.

The Panel also endorsed the emerging preferred option to introduce a sandwich policy and lower the threshold to 10% from 25%. Meaning that applications for the change of use of dwellings will not be permitted if the residential property was sandwiched between 2 HMO's, and where the property is in an area in which HMO properties represent more than 10% of households.

Panel also consider new additional licensing scheme for HMO's

The Panel were also asked to consider whether in due course Cabinet will need to make a decision to designate a new additional licensing scheme post 31st December 2018, and in what locality and for what classes of HMO'S. The aim is to improve standards, addressing management issues and improving welfare conditions.

The Panel recommended that the work also monitored the market towns of our area, such as Radstock, Keynsham & Midsomer Norton.

Overall the Panel were supportive of the expansion of the scheme to raise the standards for tenants and support the proposal to designated an additional HMO Licensing area

Communities, Transport & Environment PDS Panel

The Panel have been incredibly busy in 2017-18 and have been updated on a wide variety of different policies and strategies. One in particular was the support from the Panel for the updated Parish Charter, which reflected the changes that have taken place over the last decade, including the increased financial pressure, demographic changes and an ageing population, as well as the opportunity to transform the way that we work together.

The Panel also provided input into the 20mph zone review, which reviewed the installations of 20mph area schemes in our area. The Panel made recommendations to Cabinet that the 20mph signage be removed where it is deemed illogical and that the Cabinet continue to consider specific applications for 20mph schemes especially where these relate to safety around schools.

This work has had a positive influence on some significant developments in our local area.

Cllr John Bull

Chair Communities, Transport & Environment PDS Panel

The Panel have been receiving regular updates on Air quality (both local & National) for our area,

This is a significant issue for the residents of Bath who are affected by increased congestion in the area and the impact that this is having on pollution and air quality.

Since March 2017 the Panel have been receiving regular updates on the Air Quality Action Plan work currently underway. The previous Bath Air Quality Action Plan was adopted in 2011 and the measures are either completed or outdated, so a re-focussing has been required through a new plan which takes account of the transport related strategic developments as identified in key documents such as the Bath Transport Strategy – Getting Around Bath.

The Panel have had the opportunity to scrutinise this plan as it is being developed, to ensure that it is addressing the concerns and needs of local residents. During 2017 local residents raised with the Panel their particular concerns within the London Road area and Bathwick Street and the potential impact on health of those living and working in the area.

The Panel have been able to offer a number of points and suggestions through the work being undertaken on the action plan and clean air zones work for the city. This continues to be priority for the Panel, with further items being scrutinised during 2018 including the items on the A37 being reported to the Panel in May 2018.

The Panel made recommendations on the Parking strategy

The Panel also had the opportunity to feedback their comments to the Cabinet member to consider following the parking strategy engagement in December 2017, recommending:-

- that Cabinet reconsider the move to promote short stay parking and instead aim to remove short stay curb space to improve air quality.
- that all transport related policies and strategies should contain an air quality impact assessment in their proposals
- and asked officers to look at the practicalities of coach drop offs outside the city centre.

Following this meeting the Panel set up a working group to explore the ideas presented to them from a local resident and parking campaigner to help feed into any future plans.

Resources PDS Panel

The Resources Panel has been faced with reviewing some of the most difficult financial decisions for the Council, with everyone being impacted by the future pressures.

It has been vitally important for the Panel to be kept up to date with progress, and understand the likely impact on residents and staff going forward.

The Panel also examined the Commercial Estate Strategy, and the Digital Strategy and were asked to give their view on the process for determining the priorities for the spend of Community Infrastructure Levy Income.

Cllr Sarah Bevan
Chair Resources PDS Panel

Council company governance arrangements and annual report were scrutinised in September 2017

The members discussed the planned approach to the governance of council owned companies.

Members asked whether they were able to challenge a decision of a company, as they felt that the call-in process would not be suitable due to the commercially sensitive information.

Members of the Panel and the Cabinet Member agreed that legal advice would be welcome to address this.

The Panel recommended to Council:

1. That regular performance reports be brought to the relevant Scrutiny Panel or Committee on a 6 monthly basis on all commercial activity
2. The Panel support the principle of establishing a clear distinction between the role of Cabinet and the role of the board/company within a reasonable period of time
3. Seek legal advice as to how and when a greater scrutiny mechanism can be achieved for decisions made by, or in consultation with, the leader in his role as shareholder

Budget and Council Tax 2018/19 & financial outlook

In February 2018 the Panel were asked to consider the budget report and feedback already received, highlighting any issues for Cabinet.

The input of the Panel adds value to the future decision on the framework of service planning and budget setting.

The Panel pointed out the shortfalls in achieving budget targets and questioned how this was going to be monitored in the future.

Following a proposal the Panel requested the Cabinet Member for Finance and Efficiency, to review the proposed use of delegated powers of the Chief Executive and S151 officer with a view to increasing the level of democratic involvement on future work.

Children & Young People PDS Panel

The Children & Young People Panel have had another busy year, Members considered a number of key reports and updates on developments with children and young people services delivered within B&NES.

The Panel examined the resource and budgetary constraints now facing our organisation, particularly focusing on the potential impacts on our service delivery.

The Panel received the education results 2016 update and analysis of the overall results of our key pupils in 2016. We also reviewed the proposals to close Bath Community Academy in the summer of 2018, requesting officers to provide further information on the provision and broader community needs to ensure that the Council has an agreed position when application for a free school or other development is received.

The Panel were also pleased to receive the Ofsted Children's Service report, which found our Local Authority Children's Services to be 'Good' and within the top 30% of the country.

Cllr Alison Millar
Chair Children & Young People PDS Panel

Children and Young peoples themed meeting in July

The Panel were kept informed of the work and current concerns and needs of children and young people within B&NES. The Panel received an update on the Secondary & Primary School Parliament Days, which gave children and young people from across B&NES the opportunity to meet and debate on a chosen theme.

They also received an update from the local member of Youth Parliament on the 'Make your Mark' campaign and the work of the In Care Council, who actively campaign to better the lives of young people in care.

This was accompanied by an update on Youth Connect, addressing the background to the agreed council reductions to the budget of the youth service. The Panel were able to add value by questioning the proposals and ensuring that the voices of our young community were heard.

The Panel were also kept up to speed with the children service complaints and representations annual report, which sets out the types of complaints and reports made to the Council and the outcomes and lessons learned from these.

The Panel was updated on un-accompanied asylum seeking children and Syrian Refugee families

In March 2017 the Panel received an update on the process involved with receiving asylum seeking children and refugee families in B&NES.

This provided the Panel with an update on the work involved and provided the opportunity for members to make recommendations for further progress in accepting families and children

The Panel recommended that-

1. The Council continue discussions with the Home Office re: receiving further refugees through Syrian Vulnerable Persons Resettlement (SVPR), Unaccompanied Asylum Seeking Children (UASC) etc
2. That the Council continue to attempt to secure affordable housing and negotiate that a third party (Home Turf Lettings or similar) manage the property on our behalf
3. That the Council continue to pursue options with the Home Office re: increasing our funding to cover the LHA gap
4. That the Council continue our discussions re Community Sponsorship with any interested parties

Health & Wellbeing Select Committee

Members received regular updates from the Clinical Commissioning Group (CCG), Public Health and Healthwatch. The Committee looked at the RUH Strategic Plan and endorsed the proposal to relocate the RNHRD Rheumatology and Rheumatology therapies services from the mineral water hospital site to the purpose built Therapies Centre on the RUH's Combe Park site.

They also received a yearly update on 'Safeguarding & Quality Assurance', providing assurances that children & adults, living in B&NES with care and support needs are effectively safeguarded. They also received an evaluation of the first 100 days of the Virgin care contract, which started in April 2017, and is the new prime provider of community health and care services in our area.

The Committee also received a presentation on the great work being done to develop a Mental Health & Wellbeing Charter, which reflects the support people need for their mental health and wellbeing. The Committee commended the Charter to the Cabinet Member for Adult Social Care & Health so that all efforts are made to support it in all areas of work within the Council.

Briefings on the Mental Health Pathway Review and home care provision and also on the maternity transformation Plan for B&NES, Swindon & Wiltshire, provide the Committee with an oversight of the new co-created maternity transformation Plans being developed.

Cllr Francine Haeberling
Chair Health & Wellbeing Select Committee

The Committee scrutinised the Council's Operational Plan

During the Committees January 2018 meeting, members were presented with the Council's Operational Plan, which provided the opportunity to feedback any comments as part of the Council's operational planning and budget development process.

They heard from the Director of Integrated Health & Care Commissioning on the increased demand for services and growing expectations of the Council at a time when there's less money and fewer resources to help, particularly as social care services accounts for almost 75 pence out of every pound.

Some of the reasons include:-

- More people are living longer with complex conditions
- More children and young people are living with complex care and educational needs
- Recent care home closures have pushed up local costs
- The national living wage is rising faster than inflation,
- The Council have more responsibility for children with special educational needs and disabilities (SEND).

Members asked questions of the current pressure that the council face, for example, members wanted to know how many beds had been lost due to the recent care home closures and were concerned about the proposed reduction in day care, which was thought to have the potential to miss some people out who might then require additional and more costly needs in later life.

The Committee agreed that there should be a coordinated approach to this work going forward.

Community Safety Scrutiny Inquiry Day

Background:

A number of wide ranging changes from the election of Police Crime Commissioner's (PCC), funding and the increased recognition of the role of councils and partners can play in tackling a wide range of community safety & public protection issues have prompted many local authorities to consider their roles and responsibilities and explore how best to deliver their community safety functions.

In the context of these changes for local community safety services, the Communities Transport and Environment Panel undertook a scrutiny inquiry day on 12th October 2017. This was an opportunity to examine what is needed from council services in the community safety context and how best this might be delivered. The day set out to examine our current picture, challenges and how best to shape our services for the future. It also included an understanding of the national context of changing community safety priorities; the key community safety issues and challenges that Bath & North East Somerset currently face, and current best practice approaches.

What the Panel did:

Part of the planning for the event involved working out which key partners that we would need to invite, particularly as the nature of community safety is so wide and impacts on many of our local services, both internally and externally. We recognized that this also impacts on the remits of both the Children and Young People Panel and also the Health & Wellbeing Select Committee, who were also invited to attend.

"The day was interesting, successful and positive "

The recent findings from the Local Government Association (LGA) '*Review of the Future of Community Safety Services' (March 2017)* provided the background information for the steering group to have a national perspective of the current context for community safety and to provide an understanding of some of our joint emerging challenges.

Our Current Picture & Challenges

- **Mainstream funding for Community Safety has reduced by at least 60% since 2010.**
- **Our priorities for crime have now changed**; we are now experiencing more complex crimes, such as child exploitation and modern slavery, making multi agency work even more important. The duty on dealing with community safety issues now requires greater shared priorities and responsibilities.
- Working within this new landscape and with a wide range of partners, places even greater importance in **understanding how we operate and in building stronger relationships** that are open, frank and allow the possibility of exploring how we safely share information.
- Every decision is about putting residents first, although the fear of crime is low in our area, **it is important that we maintain B&NES as an area where people feel safe.**
- **The impact of mental ill health**
- There is even greater importance of having a **clear oversight of the range of complex issues** and links between our Local Safeguarding Children's Board; Adult Safeguarding; Health and Well-being Boards and Multi-Agency Safeguarding hubs, and ensure that they are joined up.
- **The impact of welfare reform** and more specifically the change to universal credit have had a ripple effect on our most vulnerable people including those in our street communities. There is now an urgent need to raise our concerns of the inadvertent effect of welfare reform on central government to recognize this impact.

Panel Recommendations:

1. **Develop a Joint PCC & Council Community Safety Plan, which will be an opportunity to look at the specific local community needs for Bath & North East Somerset. This would be based on our Joint Strategic Needs Assessment (JSNA).** *This has been recently developed with the aim of being presented to the Panel at their July 2018 meeting for review.*
2. **The Panel would like a greater understanding of how QLIK Sense works,** which is a system of sharing real time live data - developed by Avon & Somerset Constabulary, and to identify the benefits to shared future working. *The Panel are still scheduled to receive this update at one of their future meetings.*
3. The workshop sessions emphasized **the importance of greater social cohesion,** identifying how we can improve relationships with different community groups and faith groups. *This has been developed by using our local area forums to raise this question at their meetings and work together to share thoughts and ideas.*

Call-in of a Decision

What is a call-in ?

Scrutiny legislation allows for a Scrutiny Panel to investigate, make reports and recommendations on Cabinet decisions that have been agreed but not yet put into action. Legislation allows for action on these decisions to be suspended pending such a Scrutiny investigation. This process is referred to as a scrutiny 'Call-in'. Following any scrutiny call-in, the Scrutiny Panel may request Cabinet reconsider its decision on the basis of the further evidence gathered.

The **Communities Transport and Environment Panel (CTE)** held additional meetings to scrutinise the decision of the Cabinet. The first call–in meeting took place in March 2017, on '**Warm Water Swimming Provision**', which reviewed the technical and practical consideration of warm water pools within the leisure refurbishment.

The Panel voted to dismiss the call-in and allow the decision to be implemented.

During November the CTE Panel also reviewed two Cabinet decisions, the first was '**on' the move of the One stop shop to the Podium in Bath'**. Having considered all of the evidence the Panel decided to dismiss the call and allow the decision to be implemented.

The second of the decisions by the Cabinet was to '**adopt a new approach to delivering community run library services'** in Bath and North East Somerset as part of the overall modern libraries programme.

The Panel voted to uphold the call-in, which means that the decision was referred back to Cabinet along with a number of suggestions to reconsider. However, the decision was not accepted by Cabinet, and instead made a number of clarifications and amendments, which addressed the issues raised by the CTE Panel following the Call-in meeting.

The Children & Young People Panel (CYP) at a meeting in January 2018, reviewed the agreed decision **on the 'implementation of the new Funding formula (NFF) methodology that is planned to be adopted from the 2018-19 financial year',** and to ensure that all school receive 0.5% increase per pupil as a minimum.

Cllr Alison Millar, the Panel Chair, said:

Result of Call-in

"The call in meeting was very constructive, Several head teachers gave their views which were welcomed by the panel. Whilst some members were disappointed that the call-in was dismissed, the majority view of the panel was that the Cabinet Member's decision needs to be implemented."

To assist in their deliberations, the CTE & CYP Panel received a range of written and verbal evidence, interviewed Cabinet Members, Council officers and a representative Councillors, on behalf of those Councillors who signed the request to review the decision for the call-in.

The minutes of these meetings can be found on our public website.

6 Community involvement

Our PDS Panels work closely with a wide selection of groups, organisations and individuals. At many of our Panel meetings we listen to members of the public which are important in understanding the concerns and needs from our community.

Individuals, campaign groups and local organisations have been involved in our Call-in meetings, presented at Scrutiny Inquiry Days, fed into scrutiny review work and provided briefings to inform Panel members on key topics.

Without positive, trusting and mutually beneficial relationships, the work of the PDS Panels and the Select Committee would not be nearly as valuable.

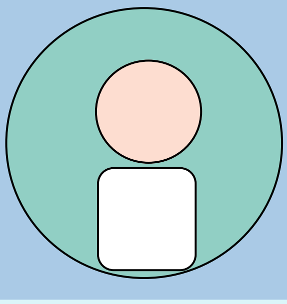
Getting involved in scrutiny

You can:

- **Attend meetings -** All our scrutiny meetings are open to the public and you are welcome to come along and listen to the debate and discussion. *Please note that reports may be considered in private if they contain confidential information.*
- **Ask a question or make a point** - All we ask is that if you want a formal detailed response, please let us have details of the question five days in advance.
- **Present a petition** – You can present a petition to a meeting or follow updates on a petition you have submitted.
- **Request a review** - If there is something you think scrutiny should look at, then let us know. Contact a Scrutiny Chair or Member of the Panel/ Committee or contact Scrutiny directly.
- **Consultation and participation** - You could be asked for your views on an issue or be invited to provide specialist knowledge you might have by being a witness in a scrutiny review. You are also free to offer your knowledge on any on-going reviews.

Contacts

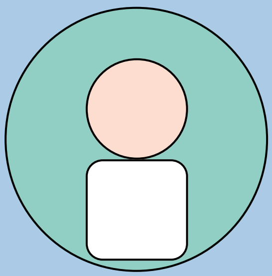
For further information about this document, or to get involved, please contact:



Senior Scrutiny Officer

Donna Vercoe (01225) 396053

For specific Committee enquiries, please contact



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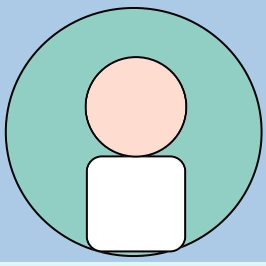

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If you require this document in a different format (such as Braille, large print etc.) or have any further comments on this report or any aspects of the work of policy development and scrutiny, please contact us.

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Bath & North East Somerset Council		
MEETING	**Council**	
MEETING DATE:	**13 September 2018**	
TITLE:	**Avon Pension Fund Annual Report**	
WARD:	**All**	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – The Avon Pension Fund Committee's Annual Report to Council 2017/18

Appendix 2 – Local Pension Board – Annual Report 2017/18

Appendix 3 – Draft Terms of Reference of Avon Pension Fund Committee

1 THE ISSUE

1.1 The Avon Pension Fund Committee discharges the responsibilities of the Council in its role as the administering authority of the Avon Pension Fund in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).

1.2 The Committee reports annually to Council on the work it has undertaken in the previous twelve months and reference is also made in the report to the future work programme. This report is for the 12 months to 31 March 2018.

1.3 As background to this report it may be worth reminding members that Bath & North East Somerset Council has a dual interest in the Avon Pension Fund, firstly as administering authority and secondly as one of the employing bodies. This report focuses entirely on the Council's role as administering authority.

1.4 The Committee's Terms of Reference have been amended to reflect the impact of pooling the investment assets on the governance arrangements. These require approval by the Council.

2 RECOMMENDATION

The Council is asked:

2.1 To note this report.

2.2 To approve the amended Terms of Reference for the Avon Pension Fund Committee

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The costs of administering the Avon Pension Fund are recharged to the employing bodies through the employer contribution rates which are set by the actuary every three years as part of the valuation.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Council is required to put in place arrangements for the effective discharge of its business.

5 THE REPORT

5.1 The Annual Report for 2017/18 is attached as Appendix 1 to this report. The document is primarily for the Council's purposes. However, it will be circulated to the employing bodies within the Fund to improve transparency about the Committee's activities and the decisions taken.

5.2 The Public Service Pensions Act 2013 required the Council to establish a local pension board to assist the administering authority with the effective and efficient management and administration of the scheme. The Avon Fund Pension Board has published its annual report for 2017/18 which is included in Appendix 2 for completeness.

5.3 The draft Terms of Reference for the Committee, including the Investment Panel, can be found in Appendix 1. These have been revised to reflect the impact of pooling on the governance arrangements. They reflect that during the transition period in which the assets transfer to the portfolios offered by Brunel Pension Partnership (Brunel), starting from April 2018, the responsibility for implementing the investment strategy will be both the Fund's and Brunel's. The Committee approved the revised Terms of Reference at its meeting on 22 June 2018.

6 RATIONALE

6.1 Is contained in the report.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 The draft report was considered by the Avon Pension Fund Committee at the committee meeting on 22 September 2017.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	Tony Bartlett, Head of Business Finance & Pensions x 7302
Background papers	Avon Pension Fund Committee/Investment Panel reports and minutes; Avon Pension Fund Pension Board reports and minutes
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

AVON PENSION FUND COMMITTEE
ANNUAL REPORT TO COUNCIL
(April 2017 - March 2018)

1 BACKGROUND TO THE AVON PENSION FUND

The Avon Pension Fund is a statutory scheme regulated by the Local Government Pension Scheme Regulations 2014 (as amended) and the Local Government Pension Scheme Regulations (Management and Investment of Funds) Regulations 2016 (as amended). Bath & North East Somerset Council ("the Council") administers the Fund on behalf of approximately 365 employing bodies including the four unitary authorities (as at 31 March 2018), of which c. 195 are academies. The Fund has approximately 110,000 members and the value of the Fund as at 31 March 2018 was £4.6 billion. In 2017/18 the Fund received £225m in pension contributions and paid out £171m in pension payments and transfers.

The Local Government Pension Scheme is going through a period of rapid and challenging change. The pressure on administrators has increased exponentially with the accelerated growth in scheme employers and membership. Benefit calculations have to be made separately to reflect different periods of service accrual and a further layer of complexity has been introduced with the advent of the career average revalued earnings structure requiring all member data to be captured accurately on an annual basis.

2 GOVERNANCE ARRANGEMENTS

The scheme is heavily regulated and now overseen by the Pensions Regulator. Other bodies and agencies undertake key roles, particularly the LGPS Advisory Board, the Ministry for Housing Communities and Local Government, and CIPFA, which sets the accounting standards. Brunel Pension Partnership Ltd, the company established by the Brunel pool to implement the Fund's investment strategy is regulated by the Financial Conduct Authority.

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee (the "Committee") which is the formal decision-making body for the Fund. The Committee's role is strategic in nature, setting policy framework and monitoring implementation and compliance within that framework. Due to the wide scope of the Committee's remit it is supported by the Investment Panel (the "Panel") which considers the investment strategy and investment performance in greater depth. The Committee has delegated authority to the Panel for specific investment decisions. The Terms of Reference, to be agreed by the Council, for the Committee and Panel are set out in Appendix A to this report.

The Pensions Committee and administering authority are scrutinised by the Local Pension Board ensuring that the governance surrounding the scheme remains robust and fit for purpose.

Committee Membership

The Committee structure is as follows:

Voting members (12)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 2 independent trustees 1 elected member nominated from each of the other 3 West of England unitary councils 1 nominated from the Higher and Further education bodies 1 nominated by the trades unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from different Trades Unions

The Committee meets quarterly. In 2017-18 one extra committee meeting was held to approve changes to the Investment Strategy. Attendance at these meetings was 70% for the voting members and 40% for the non-voting members.

Ad hoc workshops are arranged as necessary reflecting the Committee's meeting agendas. During the last twelve months one workshop was held to review the Investment Strategy and evaluate the impact of the proposed changes identified by the Fund's Investment Consultant ahead of the extra committee meeting.

Investment Panel

The Panel consists of up to six voting members from the Committee and meets at least quarterly ahead of Committee meetings.

The Panel met formally four times during the year, with attendance at 79%, and met with selected managers at dedicated workshops where managers presented on their performance and outlook for their portfolio. In addition they attended a workshop to review in detail the Risk Management Strategy which was implemented during 2017-18.

3 TRAINING

The Fund provides training to committee members to ensure they possess an appropriate level of knowledge, skill and understanding to discharge their fiduciary duties. The administering authority must ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively and monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Fund has in place a training framework which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds, which identifies six areas of knowledge as follows:

i. Legal and governance context
ii. Pensions Auditing and Accounting Standards
iii. Procurement and Relationship Management
iv. Investment Performance and Risk Management
v. Financial Markets and Product Knowledge

vi. Actuarial Methods, Standards and Practices

Committee training is delivered in a variety of formats, reflecting the strategic importance of the subject matter to the Committee's agenda and the differing level of knowledge and understanding across the Committee. Much of the training is delivered through detailed Committee and Panel reports and workshops where the topic is explored greater in detail.

In addition, members attended a number of seminars and conferences which broaden their understanding of investments and topics of relevance to the LGPS.

4 REVIEW OF THE YEAR

a) **Investments**

- The Fund's assets increased by £251m to £4,608m at 31 March 2018. The Fund generated an investment return of 4.7% during the year, with a return of 6.3% p.a. over the last three years.
- The investment return was lower than in recent years as the rally in equity markets stalled around the year end. Bond markets were affected by the expectation that interest rates in the US and UK are on an upward trend. Property and infrastructure assets which account for 17% of the fund generated the strongest returns during the year. The appreciation of sterling meant that the impact of hedging the foreign currency exposure within the portfolio added to the overall return in 2017/18; excluding the foreign currency hedge the returns were 3.0% over one year.
- During the year the Fund reviewed its investment strategy to reflect the improved funding level, changes in the outlook for markets and to incorporate the outcome of the review of the Responsible Investing Policy in 2016. In addition the Risk Management Strategy, largely developed in 2016/17, to manage the volatility in the funding position was implemented.

b) Pooling of Assets

- Since 2015 when the government announced that the assets of the LGPS funds should be pooled to reduce costs and increase the capacity across the LGPS to invest in infrastructure, the Fund has been participating in the Brunel Pension Partnership, a collaboration of 10 LGPS funds.
- Significant progress has been made during 2017/18 with the final milestone, for the company set up by the pool, Brunel Pension Partnership Ltd (Brunel), to obtain FCA authority to operate, being achieved on time in March 2018. This means that from 1 April 2018 this company can provide services to the ten funds or clients in the pool. The 10 funds in the pool are shareholders, each owning 1/10th of the company.
- Under these new arrangements, the Avon Pension Fund will retain responsibility for setting its investment strategy (or asset allocation), as well as the funding and administration strategies. Brunel is responsible for ensuring each fund can implement its own strategy via a suite of portfolios that it will offer all its clients. Brunel will create, structure and monitor the performance of each portfolio and report on back on each portfolio to its clients. This means that much of the operational risks will be managed by Brunel rather than the funds and across the pool there will be access to a larger, knowledgeable team of investment specialists.

- The next phase is to transition the current investment mandates from each of the ten funds to the portfolios offered by Brunel. This will start in 2018/19 but will take a number of years given the nature of some of the less liquid legacy assets.
- Eleven committee members attended the Stakeholder Engagement day arranged for Brunel Pension Partnership to update members on progress.
- The Committee receive an update report on Brunel Pension Partnership at each committee meeting. Governance arrangements are in place (at pool level) for monitoring service delivery, the transition of assets and the costs & savings from 1 April 2018.

c) Funding Level

- The funding level at 31 March 2018 is estimated to have risen marginally to 96% (from 95% a year earlier) and the deficit to have narrowed to c. £181m million from £230m a year earlier.
- The next valuation is due in 2019 when the contribution rates for the three years from 1 April 2020.

d) Pensions administration

(i) Budget

- During the year to 31 March 2018, total administration costs (excluding governance and investment management costs) were £2.4 million, a saving of £0.4m (14%) on the budget.
- Total costs including Investment Management, custody and governance costs, but excluding performance fees that are not yet due for payment, were £26.4 million, £1.6 million above budget. Investment management fees were higher than expected (£1.9m) due to the rise in asset values during the year. Governance and Compliance costs were also higher than expected (£0.09m) due to higher than anticipated expenditure on consultants in relation to the Strategic Review of Investments.
- The investment management and custody fees, excluding Performance Fees, of £19.5 million, equates to 0.42% of the Fund's assets.

(ii) Chartered Institute of Public Finance & Accountancy (CIPFA) Benchmarking (Benefits Administration)

- The Fund participates in the annual CIPFA Pensions Administration Benchmarking Club. This compares administration costs and performance indicators against other participating LGPS funds and against a group of funds of similar size. The results are used to identify areas for improvement in the Service Plan, to understand the specific service pressures that the Fund faces and to help the Fund operate as efficiently and effectively as possible. In addition it provides an indication of relative operational costs.
- The latest available report for 2016/17 identifies the cost per member for the Fund as £17.55 compared with £15.79 in 2015/16. The increase reflects the approved additional staff resource required to mitigate the challenge of continued growth in Fund employers. However, costs remain significantly less than the cost for the average fund which is £20.14 per member. The Fund's

own performance targets are set out in the SLAs it has in place with employers. In many cases these targets are more challenging than the industry standard. Regular SLA review meetings are held with the larger employers to review each party's performance. The Fund also publishes a Customer Charter on its website. This includes its targets (in working days) for completion of processing of member benefits.

(iii) Pensions Administration Strategy

- The Administration Strategy sets out how the administering authority and scheme employers will work together to provide an improving quality level of service to Fund members.
- The strategy ensures the Fund can continue to deliver a high quality pension service at a time when the operating environment is becoming more complex: the employer base has fragmented, especially with the creation of academies, furthermore the increase in the number of third party HR and payroll providers (favoured by a number of local education authority (LEA) schools) has added a further layer to the process and provision of data. The table below reflects how the Fund's employer and membership base has changed over the last two years
-

	31/03/18	**31/03/17**	**+ / -**
Number of employers with 5000+ members	2	2	-
Number of employers with between 1000 and 4999 members	5	5	-
Number of employers with between 100 and 999 members	19	16	+3
Number of employers with between 11 and 99 members	209	147	+62
Number of employers with between 0 and 10 members	152	116	+36
Total	387	286	+101

- The Fund revised its Administration Strategy in 2015 to include a more detailed ICT Strategy and also to ensure the governance and administration requirements of the Pension Regulator are properly addressed as they fall to the Fund and employers. The Administration Strategy will be further reviewed in 2018 to ensure it remains focussed on the Funds key objectives and challenges ahead.

5 COMMITTEE ACTIVITIES TO MARCH 2018

a) Brunel Pension Partnership

The Committee received quarterly reports informing them of progress in project to pool our assets. In June the legal documentation to establish a company authorised by the FCA to manage the client assets was considered by the Committee ahead of the company formation in July 2017. In December the Committee reviewed the 2018/19 Business Plan and budget put forward by Brunel which was then presented at its AGM in January 2018 for the 10 shareholders to approve.

In March 2018 the Committee approved the mapping of each of the Fund's current mandates to the portfolios offered by Brunel. All the assets will transition to these portfolios; however, given that it is linked to the liabilities of the pension fund, the Risk Management Strategy will remain bespoke to the Avon Pension Fund and not 'pooled'.

b) Investment Strategy

Following the review of the investment strategy the main changes were as follows:

- A reduction in the allocation to equities to lock in gains following strongly rising markets.
- A reduction in the allocation to corporate bonds which will generate capital losses as interest rates rise.
- Allocate to Multi Asset Credit which is less sensitive to rises in global interest rates than corporate bonds.
- Having identified the risk to assets values from climate change in its, review of its Responsible Investing Policy, switched equity assets managed on a passive basis (which mirror the broad market indices) into a passive managed Low Carbon Global Equity fund where the annual carbon emissions are reduced by 76% compared to the equivalent mainstream global index.
- Implemented an Equity Protection Strategy as despite the reduction in the allocation to equities they remain the largest risk to the fund; as a result a strategy has been implemented that will protect the fund if there are significant falls in equity markets.
- Medium term changes are an allocation to Secured Income such as commercial property with long term inflation linked rental income and an allocation to Renewable Energy Infrastructure. Once these are implemented the allocation to equities will be at 37.5% of total assets.

c) Investment Strategy Statement

The LGPS regulations require funds to publish a revised Investment Strategy Statement (ISS) if there are significant changes. The Fund updated its ISS in December 2017 to reflect the changes in the investment strategy implemented during the year.

The ISS sets out the Fund's core beliefs that underpin the investment strategy, the process for ensuring the suitability of investments and the key risks the Fund is exposed to, and how these risks are managed.

d) Risk Management Strategy:

The Fund invests in assets such as fixed interest bonds to provide some matching to the value of the liabilities, in order to reduce the volatility in the funding position. To improve the effectiveness of the "matching" assets" in 2016/17 the Committee agreed a liability risk management framework which should increase the certainty of the Fund's assets achieving the cash flows required to meet the pension payments as they fall due.

In 2017/18 this strategy was implemented through a bespoke investment fund created for the pension fund. The operational risk is managed by the investment manager who locks in the liability values ("hedges") at predetermined market levels. Fund officers advised by the Fund's investment advisor, Mercer, closely monitor the implementation of the strategy and report back to the Investment Panel quarterly. The Panel's focus is ensuring there are enough assets within the investment fund to support the hedged positions and to ensure the fund is locking into attractive market levels.

e) Responsible Investing Policy (RI)

Two key recommendations from the 2016 RI review were agreed as part of the strategic review, namely an allocation to a passively managed Low Carbon Global Equity Fund and to Renewable Infrastructure.

In addition the Fund's carbon footprint was analysed for the first time. At 31 March 2017 the Fund's aggregate exposure within equities was more carbon efficient than its benchmark, outperforming by 20.5% due to both sector and individual stock allocations. This means that the investment managers were investing in less carbon intensive sectors and picking less carbon intensive stocks than the benchmark (note that this was before the switch into Low Carbon equities). In addition overall the Fund was 7.9% less environmentally intensive than its benchmark.

The Fund has continued to support the Local Authority Pension Fund Forum (LAPFF) as part of its Responsible Investing Policy, with members and officers attending quarterly meetings. LAPFF act on behalf of local authority funds to promote best practice in governance in investee companies either on its own or in collaboration with other organisations with similar objectives.

f) Funding Strategy

The improved funding level was a key consideration in the review of the investment strategy. As this was the first year of the new valuation period there was no change to this strategy.

g) Approval of the 3-year Service Plan and Budget 2018/21

The forward looking three year Service Plan 2018/21 sets out the key service objectives and milestones. It also reviews the achievement against the previous year's plan. The main focus of the plan is:

- To work with Brunel Client Group and Brunel to ensure efficient transition of assets and full consideration of investment, financial and governance issues. Ensure Committee and Board kept up to date of progress
- To complete implementation of the IT strategy to achieve a digital step change in service delivery and to mitigate service demand growth.
- To undertake an interim valuation to provide indication for budgeting and to review funding strategy and implications for investment strategy.
- To undertake a review of the Administration strategy to include development of a new chargeable service offer.

The budget approved for Administration in 2018/19 is £2.94m.

The budget includes some re-categorisation of expenditure between Administration, Communication and Payroll Communication costs to better reflect their functions. Year on year savings approved in the 2015/16 budget were set aside to fund the IT Strategy. Following a change in the IT systems supplier's product offer this expenditure has previously been delayed. Part of the associated budget has now been transferred to fund the project to roll out the I-Connect solution across all small and medium sized employers. Wherever possible the effect of inflation has been absorbed.

h) The Pension Regulator – Code of Practice 14

- The Pension Regulator's (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.
- The Fund has undertaken a detailed review of its core data and processes and assessed its level of compliance with regulation requirements in respect of:
  - Scheme record keeping
  - Maintaining contributions
  - Providing information to members
- The regulations require 100% completeness of data across a number of core areas. On a quarterly basis the Fund undertakes a series of analytical tests against the total membership to measure the overall level of completeness of data accuracy. Measurements tested against 119,860 records as at 31st March 2018 demonstrated an overall data score of 94.48%. A data improvement plan has been developed to address the issues of non-compliance identified. Accordingly, the data improvement plan will be further reviewed and updated in 2018/19 following the Local Pension Boards next annual review of compliance.
- To ensure continued compliance the Fund has also undertaken to review its existing procedures relating to the monitoring of late payment of monthly contributions from employers and its Internal Dispute Resolution Procedure (IDRP).
- Detailed reports on compliance and the data improvement plan are presented to both Pensions Committee and Local Pensions Board on a quarterly basis.

i) Treasury Management Policy and Cash Management Policy

- The Committee approves the Fund's Treasury Management Policy annually. The policy sets out how the Fund's cash is invested to meet its day-to-day requirements. The cash managed under this policy is 0.5-1% of the Fund's value (£20-45m).
- The management of this cash is delegated to the Council's Treasury Management Team. However, the Fund's cash is invested separately (via separate bank account) to the Council's and the Fund has a bespoke Treasury Management Policy.

j) Administration

- The growth of employers within the APF continues to represent a significant challenge to the Fund despite increases in resource over the past few years.
- Significant numbers of schools are transferring to academy status which, together with outsourcing and continuing public sector cuts, continues to create spikes in workload. This is expected to continue until 2020.

k) Work plans

- Separate workplans are prepared for the Committee and Panel detailing the forthcoming areas of work relating to the investment and funding strategies and to the administration of benefits to give the Committee and officers the opportunity to review the workload and accommodate issues that may arise.

6 FUTURE ACTIVITY

The Committee and Panel's focus over the next twelve months will be as follows:

a) Investments

- Pooling of assets – monitor the transition of assets. Brunel will manage this process and will have a detailed project plan that it will discuss with the Client Group (officer representatives from the 10 funds). Avon Pension Fund will monitor this via a high level project plan and risk register reflecting to Avon's investment strategy. The transition of assets will begin in 2018/19 but will take at least 2 years to complete.
- The work required managing the current mandates and the transition is significant and the increase in the workload required of officers is considerable.

b) Funding Strategy

- Undertake an interim valuation as at 31 March 2018 to understand the issues and cost pressure ahead of the 2019 valuation.
- Covenant assessment of scheme employers in preparation of the 2019 valuation.

c) Benefits Administration

- Continue to ensure maintained compliance with stringent requirements of The Pensions Regulator (TPR).
- To review the Administration Strategy to ensure the requirements of the TPR are properly addressed, including the option to develop a new chargeable service.
- To complete the roll out of I-Connect digital solution across the whole employer portfolio to achieve 99% electronic pension data receipt.
- To undertake a review of data processes to ensure the requirements of GDPR are met.
- To undertake clearance of outstanding processing backlog to enable 'business as usual' to deliver performance in line with competitive SLA targets and statutory legal deadlines.
- Review the AVC Strategy on the number and types of funds to be offered to members to assist them in saving towards retirement.

d) Governance of the LGPS

- Work closely with the Oversight Board of Brunel Pension Partnership to monitor the transfer assets to the company.

- Understand the significance and impact of the pooling proposals on the Avon Pension Fund own internal governance arrangements and put forward recommendations to Council as required.
- Engage with and respond to government consultations or consultations from the LGPS Scheme Advisory Board. It is expected that the focus will be the administration of academies across the LGPS.

Avon Pension Fund
June 2018

Appendix A

Terms of Reference for the Avon Pension Fund Committee and Investment Panel

To be attached after approval by Committee

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1. Introduction

Welcome to the third Annual Report of the Local Pension Board (LPB) of Avon Pension Fund.

The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (Governance) Regulations 2015.

The purpose of the Board is to assist the Administering Authority (BANES Council) of the Avon Pension Fund (APF) secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

This report covers the period 1st August 2017 to 31st July 2018 within which the Board has held four formal meetings. During this period the members of the LPB have continued to develop their knowledge and understanding of the LGPS and TPR requirements as required by law.

The third year of operation of the LPB was focussed on its statutory responsibilities with a core agenda of key governance themes around the fund's legal compliance, risk management and benchmarking.

It has also actively monitored the fund's involvement in the Brunel Pensions Partnership (BPP) that was established in 2017 to facilitate the pooling of the funds assets with 9 other LGPS funds in 2018.

I am pleased to say that with the support of the officers to the APF; the LPB has made good progress in fulfilling its terms of reference and continuing to support the administering authority in its statutory duties.

The LPB has reviewed a wide range of LGPS regulations and TPR requirements and made a number of recommendations to the administering authority (see page 8 and Appendix 1).

This has included starting a process of review of all administration processes against their legal timeframes, reviewing high level of risks facing the APF on a regular basis, analysing key issues around data quality – notably missing addresses - and reviewing the refreshed statutory Investment Strategy Statement (ISS) for its compliance against the DCLG statutory guidance.

In addition we have received the outcome of our annual compliance check from Internal Audit in relation to the funds compliance with TPR Code of Practice 14 along with a number of other audit reviews of the fund and its administration. The LPB welcomed the actions being implemented by the fund to ensure it fully complies with the Code and improve the control framework around the Administration of the APF.

The LPB noted the growing administration pressures from more employers joining the fund as well as new TPR requirements in respect of record keeping and data quality. In light of this the LPB supported the need to future proof the level and quality of administration services to fund members in the forthcoming review of the fund's administration strategy.

The LPB also continues to overview the APF communication strategy and stressed the need for all scheme information to be kept up to date and the importance of the fund website to employers and members.

Looking ahead the LPB will seek to assist and support the APF in respect of minimising potential governance and other risks arising from BPP and the pooling of the funds assets with nine other LGPS funds in 2018.

Last but not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

Howard Pearce
Independent Chair

2. Legal basis of Local Pension Board

Background

At the request of central government Lord Hutton conducted a review into public service pensions in 2010 and published his findings in March 2011 which recommended significant change to the governance of the pensions '*to make…schemes…more transparent*'.

Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (LGPS Administering Authority).

One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests. The LPB must have equal representation of scheme members and scheme employers.

The APF LPB is a separate legal entity from the APF Pensions Committee (Section 101 committee) to which as administering authority (BANES Council) has delegated its functions in relation to the administration of the LGPS.

Specific Role and Purpose

The Public Sector Pension Act 2013 sets out the requirements for the establishment of a LPB with the responsibility for assisting the LGPS local scheme manager (BANES) in relation to the following:

a) Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and:

b) To ensure the effective and efficient governance and administration of the Scheme.

The LPB will assist the 'scheme manager' by monitoring and advising on compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the scheme.

The role of the LPB can be likened to that of a "critical friend" but is not a decision making body. It has an important advisory role for the APF and works with the Pensions Committee to scrutinise its decision making processes and to ensure the Fund's compliance with all its legislative requirements.

The Pension Regulator (TPR)

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore one focus for the LPB is ensuring the fund's compliance with TPR Codes of Practice. This is split into a number of areas which covers governance, risk management and resolving issues.

The LPB as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the APF Pensions Committee to address these requirements.

Terms of Reference

Terms of Reference for the LPB are available through the following link.

http://www.avonpensionfund.org.uk/.

3. Establishment of Local Pension Board

The requirement for an Independent Chair and Board Membership was outlined in the terms of reference to the LPB which were agreed by full BANES Council on the 15th January 2015.

Adverts for the role of Chair were placed on the Fund's website, Western Daily Press, Jobsgopublic.com, Local Government Chronicle online and the Council's job vacancy website.

All applicants were then reviewed against the five published criteria in the person specifications and a shortlist of four candidates drawn up for interview with the Strategic Director of Resources, Head of Business, Finance and Pensions and the Head of Audit West.

Interviews were held in June 2015 and a preferred candidate – Howard Pearce (former Head of Pension Fund Management, Environment Agency) – was identified and recommended to the LPB for an appointment of four years.

The process for the appointment of Board Members followed a similar path with adverts placed on the Fund's website and pro-actively distributed through the many employee and employer communications and conferences.

Interviews for Board Membership were held from June 2015 through to May 2016 and as at May 2016 a full complement of employer and employee members are now in post.

Details of the Local Pension Board Members

Independent Chairman:
Howard Pearce. Appointed 1st July 2015. 4 year term of office to 30 June 2019.

Employer Member Representatives:
Gaynor Fisher, active member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.
Steve Harman, active member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.
Tony Whitlock, active member. Appointed 1st May 2016. 4 year term of office to 30 April 2020.

Scheme Member Representative:
David Yorath, retired member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.
Tom Renhard, deferred member. Appointed 1st July 2015. 4 year term of office to 30 June 2019.
Mark King, active member. Appointed 1st May 2016. 4 year term of office to 30 April 2020.

In total the Board has well over 100 years experience of the LGPS. Details of each Board members experience, LPB training log, and register of interests for are available through the following link.

http://www.avonpensionfund.org.uk/.

Attendance at Local Pension Board Meetings – August 2017 – July 2018

Role	Board Member	Attendance
Independent Chairman	Howard Pearce	4/4
Employer Representative	Gaynor Fisher Steve Harman Tony Whitlock	3/4 3/4 3/4
Member Representative	David Yorath Tom Renhard Mark King	3/4 3/4 2/4

4. Training

Background

In accordance with the Pension Regulator (tPR) Code of Practice 14 every individual member of a LPB must in summary:

- Be Conversant with the rules of the local government pension scheme (LGPS) &

- Have knowledge and understanding of the law relating to pensions:

These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a collective group.

Degree of Knowledge and Understanding

The legal requirement is that members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

Areas of Knowledge and Understanding

LPB Members should be conversant with, but not limited to the following areas:

a) Scheme approved policies

b) Risk assessment/management

c) Scheme booklets/members communications

d) Role of LPB Members and the scheme manager

e) Policies in relation to discretions

f) Communications with scheme members and employers

g) Key policy documents on administration, funding and investment

Training Undertaken

During the year on-going technical training was provided to LPB members by officers from or advisors to the APF on a full range of topics covering the LGPS framework and TPR requirements.

All 7 members of the LPB have completed the TPR public sector pension toolkit certification. In addition three members attended the LGE LGPS Fundamentals Course.

The LPB training plan is a topic at each board meeting and all Board Members maintain a training log, which is also submitted annually to assist in the identification of on-going training needs.

Details of the LPB training plan and members training logs are available through the following link –

https://democracy.bathnes.gov.uk/ieListMeetings.aspx?CommitteeId=563

5. Local Pension Board Code of Conduct and Conflicts of Interest Policy

Code of Conduct

All LPB members have signed up to an LPB Code of Conduct in which emphasises that as a holder of public office there is an expectation that LPB members will comply with the 'seven principles of public life', also known as the 'Nolan Principles'.

Conflicts of Interest

All LPB members have also signed up to the LPB Conflicts of Interest Policy. This requires all members to notify BANES Democratic Services team of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the LPB include a standing item titled 'Declaration of Interests' at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All LPB members have formally completed their declaration of interest forms and at the 4 formal meetings which have been held during the year no 'conflicts' have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link –

https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563

6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below –

Summary Financial Table

Budget Area	**Actual Costs 2016-17**	**Budget 2017/18**	**Actual Costs 2017-18**
LPB Members Allowances	£7,067.27	£8,000.00	£7,129.00
LPB Members Training Costs	£1,500.00	£3,000.00	£260.00
LPB Meeting & Democratic Services Costs	£3,245.00	£9,000.00	£5,352.00
Central Recharges & Officer Costs	£11,800.00	£15,000.00	£12,600.00
Communication Costs	£0.00	£2,000.00	£22.00
Total	**£23,612.27**	**£37,000.00**	**£25,363.00**

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

7. Local Pension Board Compliance with the Pension Regulator's Code of Practice No.14

As part of assessing both the effectiveness and compliance of the Board with its key requirements, the APF carried out a self-assessment of the LPB's current arrangements against TPR Code of Practice No. 14 in 2016/17. The full results of this exercise were reported initially in May 2016 and revisited in November 2016 and are available via the following link.

https://democracy.bathnes.gov.uk/documents/s44211/LocalPensionBoardTPRCOP14UpdateNov2016.pdf

Subsequent to this Internal Audit carry out an annual review of compliance against the Code and their latest report is available via the following link –

https://democracy.bathnes.gov.uk/documents/s49951/LocalPensionBoardAuditUpdateFeb2018App2.pdf

In summary the opinion was positive with a 'Good' opinion on compliance and the internal control framework and the review identified only a small number of issues identified for the APF to achieve best practice, including –

- Issues regarding the transparency of declarations of interest for the Investment Panel were noted, in particular the failure to consistently publish declarations on 'modern gov'. These are being addressed and do not impact directly on compliance with the Code so no formal recommendation has been made.
- Supporting records such as risk registers and the breaches control sheet had not always been completed accurately or fully. However the errors / omissions were not significant in nature.
- The way in which 'acknowledgements' in respect of formal disputes are handled is not always in line with procedures although no significant issues were identified.
- Communications with members had not always been in strict compliance with the requirements of the Code but again these were not significant.

The Board support independent review and the work of Internal Audit and their reports and findings were reported to the Board in February and July 2018 along with their other reviews of the Pension Fund and overall Plan –

https://democracy.bathnes.gov.uk/documents/s49949/LocalPensionBoardAuditUpdateFeb2018.pdf

8. Pension Fund Communications

Effective member and employer communications form a core part of the role of the APF. During the year the Board was represented at the Employers conference and also reviewed at a high level the APF's communications strategy and website.

The Board continue to work with APF officers on assessing all methods of communication both with Members and Employers, especially where issues have been identified and greater engagement or training is required.

Reviewing the strategy and approach to how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

9. Risk Management

Risk management processes for the APF follow the framework laid down by the LGPS administering authority (BANES Council). The APF Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly and the key risks fall into one of the following categories –

(i) Failures in the fund administration & control of operational processes and strategic governance processes and TPR compliance;

(ii) Service delivery partners not delivering in line with their contracts or SLAs;

(iii) Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian

(iv) Changes to the LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- BPP Governance, asset pooling and benefit realisation
- Significant growth of new employers, especially Academies
- Delivering the future funding strategy
- Recruitment and Retention
- Data Quality
- Compliance with Legal Timeframes
- Information Governance (GDPR)

The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service and the arrangements in place are supported by external and internal audit reviews.

The LPB has actively engaged on the key risks facing the APF and its administration and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention created primarily as a result of indirect implications from BPP.

The LP will continue to ensure that a review of the funds risk register will remain a regular agenda item at each meeting.

10. Summary of Areas Covered in 2017/18 and meeting agenda's and minutes

The third year of operation of the LPB was focussed on key governance themes of legal compliance, risk management, and best practice as well as monitoring the significant developments connected to asset pooling and creation of the Brunel Pensions Partnership. A summary of the areas covered and meeting topics and minutes are given below. Details of the LPB advice and recommendations can be found at Appendix 1.

Review of LPB Arrangements
LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches Training Requirements Review of Work Plan
Review of Pension Fund Activities
Avon Pension Fund Committee & Investment Panel Minutes Project Brunel, Brunel Oversight Board Investment Strategy Statement Governance Framework Scheme Employers & Admitted Bodies
Review of Pension Fund Administration
APF Compliance Reports APF Risk Register APF Service Plan GDPR Implementation Legal Timeframes & Missing Addresses Annual Report
Independent Assurance
TPR, SAB & CIPFA external benchmarking exercises External Audit plan and reports Internal Audit plan and reports

	Area	Action/Minutes
7th November 2017	APF Committee Minutes APF Investment Panel Minutes LGPS Updates & Developments BPP Update Compliance Report Benefit Statement Update Risk Management Update Training & Work Plans	https://democracy.bathnes.gov.uk/documents/g5020/Printed%20minutes%2007th-Nov-2017%2014.00%20Pension%20Board.pdf?T=1
15th February 2018	APF Committee Minutes APF Investment Panel Minutes LGPS Updates & Developments BPP Update Compliance Report Pension Administration Legal Timescales Pension Administration Member Addresses Internal Audit Update Risk Management Update Training & Work Plans	https://democracy.bathnes.gov.uk/documents/g5021/Printed%20minutes%2015th-Feb-2018%2014.00%20Pension%20Board.pdf?T=1
24th May 2018	APF Committee Minutes APF Investment Panel Minutes Brunel Oversight Board Minutes LGPS Updates & Developments BPP Update APF Service Plan Legal Timeframes Update Compliance Report Risk Management Update Training & Work Plans	https://democracy.bathnes.gov.uk/documents/g5022/Printed%20minutes%2024th-May-2018%2014.00%20Pension%20Board.pdf?T=1
19th July 2018	APF Committee Minutes APF Investment Panel Minutes Brunel Oversight Board Minutes LGPS Updates & Developments BPP Update Member Addresses Update APF Governance Framework APF Annual Report Scheme Employers & Admitted Bodies Update GDPR Implementation Update Internal Audit Update Risk Management Update LPB Annual Report Training & Work Plans	https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=563&MId=5023&Ver=4

11. Draft Forward Plan for 2018-19

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

AGENDA ITEM	19/07/18	08/11/18	07/03/19	13/06/19	12/09/19
Board Governance					
Terms of Reference review		X			
Code of Conduct/ Conflicts of Interest policy				X	
Work Plan (to be dynamically updated)	X	X	X	X	X
Annual budget setting and monitoring			X		
Training Plan (to be updated as required)	X	X	X	X	X
Annual Report to PC and Council approval	X			X	
Scheme and Fund Governance					
Legal, policy, regulatory developments	X	X	X	X	X
Training – APF financial delegations (Council, PC, IP, BOB, and APF officers)		X			
Minutes PC, IP, BOB	X	X	X	X	X
Annual Service Plan			X		
Training – APF internal & external SLA's financial controls			X		
External advisor appointments review process/controls				X	
Risk Register review	X	X	X	X	X
TPR Code 14 Compliance updates			X		
Governance (& FRC) Compliance statement	X			X	
Internal Audit plan/reports on APF	X		X		X
External Audit Governance Report and Accounts		X		X	
Benchmarking against other BPP funds			X		X
Funding/Investments					
Statutory Funding Strategy Statement consultation/process/report			X		
2019 Triennial valuation process/controls/report					X
Statutory GAD S13 triennial funding report	X				
Statutory ISS annual update and associated RI policy			X		
BPP update (delivery/savings)	X	X	X	X	X
Benefits Admin/Comms					
Admin Strategy Statement review and employer charging policy		X			
Fund and employers compliance/TPR reporting	X	X	X	X	X
Employer admission agreement policies					X
Breaches policy/register/TPR reporting					X
GDPR compliance	X				
Record keeping, data security, business recovery			X		
ABS process annual review		X			X
GMP reconciliation (one off exercise)		X			
Discretions policies review					X
Admin performance benchmarking			X		
Comms policy statement and website review				X	
Complaints policy, IDRPs, PO cases review					X

Appendix 1 – LPB advice and recommendations

Governance

Statutory governance compliance statement – The Board noted APF is fully compliant in all areas except representation, where it is partially compliant, largely because of the wide range of employers in the scheme. The Board considered it may be possible to provide representation for a school employer when most academies were part of multi-academy trusts or in light of the outcome and recommendations arising from national Scheme Advisory Board academies project in 2018. (July 18 LPB).

General Data Protection Regulations - The Board noted the APF GDPR project plan should be completed in 2019 and recommended its implementation should be the subject of an Internal Audit report. (July 18 LPB).

TPR requirements - The Board noted that the Fund's positive direction of travel in performance reporting in respect of the TPR requirements and supported the Fund being given the resources to achieve compliance. The Board suggested that there could be a joint TPR officer led training session with the APF Committee and or other LPBs in the BPP family (Feb 18 LPB).

Late payers - The Board requested a list of repeat offender employers who had made late payments in each of the three years since the Board was established to be regularly presented to the Board. If there was no good reason for their persistent late paying, consideration should be given to APF reporting them to TPR (Feb 18 LPB).

The Board noted an internal audit report dealing with contributions and an assessment of good had been given for all key control objectives, apart from the reconciliation of the APF IT system to the APF bank account, which was assessed as weak. The Board requested a further report when the management follow-up had been completed (July 18 LPB).

Record keeping - The Board asked that the evidence that APF is complying with the public service pension scheme record keeping and disclosure regulations in future compliance reports (Nov 17 LPB).

Breaches of the law – The Board asked about the self-reporting of any APF breaches in the law to the TPR (and by other funds in BPP) and recommended that APF might usefully benchmark its breach reporting against other LGPS funds. (Nov 17 LPB)

Risk management - The Board noted staffing risks are a key risk for all LGPS funds and asked what APF's strategy is to address this risk. The Board considered with the continuing increase in the number of employers in the APF, including a 10-fold increase in smaller employers, it might desirable to put extra administration staff in place now to stay ahead of the game. The Board was aware that there was a balance to be struck between achieving compliance and the cost of doing so, and recommended the APF should consider how legal compliance could mostly cost effectively be achieved by reprioritisation of internal and external resources (Nov 17 LPB). The Board asked about succession planning, apprenticeships and whether staff terms and conditions had been reviewed to increase the attractiveness of posts in pensions administration in the current job market. The Board asked whether there would be benefits from a review of the employment package for all administration staff. (May 24 18 LPB).

Administration of members benefits

Employer training -The Board expressed concern over the 84% of employers who did not attend the APF employers conference and urged that pressure be kept on those APF employers who failed to engage with the training and support provided by the APF Pensions Service. (Nov 17 LPB)

Administration strategy - the LPB requested that a number of issues should be followed through including (Nov 17 LPB):

- The Administration Strategy review should address charging policies for additional work caused by employers. The Board considered the APF should report employers to the TPR who repeatedly failed to supply timely and accurate information as required by law.

- The Board requested it should receive information on the legal timeframes the Fund has to comply with for scheme member administration processes. Such compliance reports should present administration performance data against both the statutory timescale and the APF SLA KPI timescales. It was noted full compliance with all statutory timescales may require service level choices to be made when reviewing the APF Administration Strategy

Administration resources – The Board noted the number of employers in APF Fund is increasing with the majority of these arising from Academy conversions and the associated Admitted Bodies for outsourced catering and cleaning contracts. There were now 350 employers in the Fund. Each conversion required significant administration work and communication between the Fund and the employer. A number of schools had also changed their payroll provider. Other employers were awaiting admission to the Fund. About 65 new employers were joining the Fund per quarter. Each one imposed the same administrative burden on the Fund, regardless of their size; this highlighted the pressure on the resources of the Administration team. This rate of increase was likely to continue for some time as Academy conversion ran its course, and he thought it likely that the number of employers would reach 500 (Feb 18 LPB).

The Board recommended that the workload impact and resource consequences of rising numbers of employers joining the APF fund should be reviewed by the Administering Authority, and it was noted this was a matter for the Pensions Committee to decide in the forthcoming review of the APF administration strategy. (Nov 17 LPB).

Annual Benefit Statements - The Board recommended the next report on the issuance of ABS (ie after 31st August 2018) to include information on employers who repeatedly failed to provide correct data for the last three years. If employers were still failing to provide correct data after three years of encouraging them and offering them training, and warning them of being reported to TPR, then it was time to press a bit harder, and if necessary report them to TPR in 2018. (Nov 17 LPB)

Missing addresses - The Board expressed concern over the 6000 scheme members for whom correct addresses were not held (and so do not receive any ABS) and the number had been at this level for some time and there was both a regulatory record keeping responsibility and TPR requirement that the administering authority should maintain this information as common data. It was noted an adjacent fund has only 0.3% of missing addresses for deferred members, while APF has a very high proportion of 12%. It was recommended that APF should prioritise resource to rectify gaps in missing scheme member data and information (Nov 17 LPB). The Board said it would helpful to see statistics for missing addresses for other LGPS funds due to be supplied to the TPR in 2018. (July 18 LPB)

LGPS regulations legal timeline reporting - The Board noted this information was fundamental for the Board's role in monitoring compliance with the LGPS Regulations. The TPR standard for compliance was 95% of cases, so APF should consider using this figure. Over time the APF reports would help provide evidence that may show that some LGPS regulatory targets were unrealistic. Such evidence might help the Regulator and the LGPS to specify more realistic timescales and take account of the involvement of many third parties in the process. (May 24 18 LPB)

Investment of funds assets

Statutory Investment Strategy Statement – The Board considered the consultation process followed for the LPB consideration of the ISS had not been satisfactory. The Board was advised that next time it would be included in the consultation before the ISS went to the Committee for final approval. (May 24 18 LPB)

Investment fees - The Board recommended the adoption by APF (and its current fund managers) and BPP of the national LGPS Transparency Code (Nov 17 LPB).

A<u>sset pooling</u> - The Board requested training on how the before and after projected cost savings from the transfer of APF assets to BPP were going to be assessed, monitored and independently audited. (Nov 17 LPB).

The Board noted that the business case had been based on £24bn of assets, whereas Brunel's assets were now valued at £28bn, which meant that savings were potentially greater, and so wondered whether the payback period had also been brought forward (Feb 18 LPB).

The Board commented that BPP first annual report had been rather brief and uninformative and urged BPP to produce something more useful in its second year (19 July 18 LPB). The Board noted APF and BPP accounts and auditors' reports would be valuable sources of information for the Board and suggested that the appropriate time for training would be when the national cost- saving templates were available, and that joint LPB and Committee training may be useful (May 24 LPB).

The Board said that it would useful to have comparative information of the asset allocation and the returns on assets and investment costs before the business case, at the time of the business case and at transition and afterwards. This would identify the savings that Avon made before and after transition, so that the benefits of pooling could be accurately measured and assessed. (19 July 18 LPB).

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Appendix 3

TERMS OF REFERENCE

1 Avon Pension Fund Committee

Bath and North East Somerset Council, in its role as administering authority, has executive responsibility for the Avon Pension Fund. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee which is the formal decision making body for the Fund.

The Avon Pension Fund is a member of the Brunel Pension Partnership (Brunel). Brunel will gradually become responsible for implementing the Fund's Investment Strategy. The Fund's assets will transfer to portfolios offered by Brunel from April 2018 with most of the quoted assets transferring within 3 years. Once Avon's assets are within a Brunel portfolio, the appointment, monitoring and deselection of managers will be the responsibility of Brunel. The Terms of Reference reflects this transition.

Function and Duties

To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Determining the investment strategy and strategic asset allocation.
2. Determining the pensions administration strategy.
3. Making arrangements for management of the Fund's investments in line with the strategic policy. For assets managed by Brunel this is limited to allocating to the relevant portfolio offered by Brunel.
4. Monitoring the performance of investments, scheme administration, and external advisors. Monitoring the performance of investment managers for assets held outside Brunel pool. Monitoring the performance of Brunel and its portfolios.
5. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
6. Approving the Pension Fund's Statement of Accounts and annual report.
7. Approving the annual budget for the Pension Board subject to the approval of Pension Board's workplan.
8. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.

9. Making representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme.
10. Nominating a representative from the Committee to represent the Committee on the Oversight Board for Brunel Pension Partnership.

Delegations

In discharging its role the Committee can delegate any of the above or implementation thereof to the Sub-Committee (referred to as the Investment Panel) or Officers. The current delegations are set out in Sections 2 & 3 below.

Membership of the Committee

Voting members (12)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 2 independent members 1 elected member nominated from each of Bristol City Council, North Somerset Council and South Gloucestershire Council 1 nominated from the Higher and Further education bodies 1 nominated by the trades unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from different Trades Unions

The Council will nominate the Chair of the Committee.

Meetings

Meetings will be held at least quarterly. Meetings will be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

Quorum

The quorum of the Committee shall be 5 voting members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

Substitution

Named substitutes to the Committee are allowed.

2 Investment Panel

The role of the Avon Pension Fund Committee Investment Panel shall be to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund’s investment objectives.

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.

2. Review the Statement of Investment Principles and submit to Committee for approval.
3. Report regularly to Committee on the performance of investments and matters of strategic importance

and have delegated authority to:

4. Approve and monitor tactical positions within strategic allocation ranges that are not managed within Brunel pool.
5. Approve investments in emerging opportunities within strategic allocations that are not managed within Brunel pool.
6. For assets held outside Brunel, implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
7. Approve amendments to investment mandates for assets held outside Brunel pool within existing return and risk parameters.
8. For assets held outside Brunel, monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
9. Monitor the transition of assets to Brunel and the investment performance of the portfolios managed by Brunel.
10. Delegate specific decisions to Officers as appropriate.

Panel Membership

The Panel shall comprise a maximum of 6 voting Members of the Avon Pension Fund Committee, of which 3 shall be Bath and North East Somerset Councillors. The membership shall include the Chairman of the Committee and /or the Vice- Chair and 4 other Members (or 5 if the Chair or Vice-Chairperson is not a member of the Panel).

Note: The appointment of Bath and North East Somerset Councillors to the Panel is subject to the rules of political proportionality of the Council.

Members shall be appointed to the Panel for a term of one year.

The Council will nominate the Chair of the Panel.

Panel Meetings

Though called a "Panel", it is an ordinary sub-committee of the Committee. Accordingly, meetings must be held in public, though the public may be excluded from individual items of business in accordance with the usual exemption procedures.

The Panel shall meet at least quarterly ahead of the Committee meeting on dates agreed by Members of the Panel.

Panel Quorum

The quorum of the Panel shall comprise 3 Members, who shall include at least one Member who is not a Bath & North East Somerset Councillor.

Panel Substitution

Substitutes for the Panel must be members of Committee or their named Committee substitute.

Panel Minutes

Minutes of Panel meetings (whether or not approved by the Panel) shall appear as an item on the next agenda of the meeting of the Committee that follows a meeting of the Panel.

3 Officer Delegations

Officers are responsible for:

1. Day to day implementation and monitoring of the investment, administration, funding strategies and related policies.
2. Approve investments in emerging opportunities within strategic allocations, to be managed within Brunel pool, in consultation with the Investment Panel.
3. Implement investment management arrangements in line with the strategic policy, including the setting of mandate parameters and the appointment of managers to be managed within Brunel pool, in consultation with the Investment Panel.
4. Appointment of specialist advisors to support the Committee in discharging it functions.
5. The Section 151 Officer has authority to dismiss investment managers, advisors and 3rd party providers if urgent action is required (does not refer to performance failures but to their inability to fulfil their contractual obligations or a material failing of the company).
6. The Section 151 Officer has authority to suspend policy (in consultation with the Chairs of Committee and Panel) in times of extreme market volatility where protection of capital is paramount
7. Under its wider delegated powers, the Section 151 Officer has delegated authority to effectively manage the liabilities of the Fund including the recovery of debt.
8. Exercising the discretions specified in the Local Government Pension Scheme Regulations in connection with deciding entitlement to pension benefits or the award or distribution thereof.
9. Through delegations from Council, the S151 Officer has authority to progress the development of Brunel Pension Partnership pool.

Approved by Avon Pension Fund Committee 22 June 2018

<table>
<tr><th colspan="3">Bath & North East Somerset Council</th></tr>
<tr><td>MEETING:</td><td colspan="2">Council</td></tr>
<tr><td>MEETING DATE:</td><td>13th September 2018</td><td>AGENDA ITEM NUMBER</td></tr>
<tr><td>TITLE:</td><td colspan="2">Annual Report – Corporate Audit Committee</td></tr>
<tr><td>WARD:</td><td colspan="2">ALL</td></tr>
<tr><td colspan="3">AN OPEN PUBLIC ITEM</td></tr>
<tr><td colspan="3">List of attachments to this report:

Appendix 1 – Annual Report</td></tr>
</table>

1 THE ISSUE

1.1 The Corporate Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference.

1.2 This is the Annual Report of the Committee which details its work over the last year.

2 RECOMMENDATION

Council is asked to agree that:

2.1 The Annual Report of the Corporate Audit Committee is noted

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report

4 CORPORATE PRIORITIES

4.1 Completion of the Corporate Audit Committee's work assists the organisation in efficiently and effectively contributing to the Council's priorities.

5 THE REPORT

5.1 Appendix 1 details the thirteenth annual report of the Corporate Audit Committee since it was established by the Council on 12 May 2005. It reviews the work done by the Committee over the past 12 months, its future work plan, membership and support of the Committee.

5.2 The Committee's work has continued to develop as detailed at Appendix 1 and as part of its responsibilities it has reviewed its terms of reference and the key areas of responsibility are still considered appropriate and meet current best practice.

5.3 Whilst the Committee's work in 2018/19 will be broadly similar to the year recently ended it will keep under close review a number of key issues including the financial resilience of the organisation through its framework for managing risk and governance especially in the areas of Adult Social Care and Children's Services.

5.4 The Committee also formally acknowledged the support of Officers given to the Committee and the performance of teams providing positive assurance to the Council's governance arrangements.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CONSULTATION

8.1 The report was distributed to the Chief Executive, Council's Monitoring Officer, S151 Officer and Chair of the Audit Committee for consultation.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 No specific issues to consider.

10 ADVICE SOUGHT

10.1 The Council's Chief Executive, Monitoring Officer (Council Solicitor) and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	*Jeff Wring (01225 477323)*
Background papers	*None*
Please contact the report author if you need to access this report in an alternative format	

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Appendix 1

CORPORATE AUDIT COMMITTEE

ANNUAL REPORT TO COUNCIL 2017/18

1. INTRODUCTION

This is the thirteenth annual report of the Committee since it was established by the Council on 12 May 2005. It covers the work done during the year September 2017 to July 2018.

2. REVIEW OF WORK DONE IN 2017/18

a. Financial Governance – Annual Accounts

i The Committee approved on behalf of the Council an unqualified set of accounts for the year ended 31 March 2017 in September 2017 within the statutory deadline. This included the accounts for the Pension Fund.

ii. The Committee then considered the formal governance reports for the Council and Pension Fund submitted by the external auditors (Grant Thornton) on their audit of the accounts.

iii. The Council report highlighted some presentational and technical changes to the accounts and recommendations to improve the Asset registers for accounting purposes. However there were no proposed changes to the General Fund Balances and Reserves. The auditors also noted that the accounts were presented promptly and that they were supported by good quality working papers.

iv. The report on the Pension Fund Accounts highlighted that the financial statements were produced to a good standard, supported by good quality working papers and there were no material adjustments to the accounts.

v. Both Governance reports were therefore noted and the audit of the accounts formally completed.

vi. The Committee considered the accounts for the year ended 31 March 2018 in July 2018. It received a presentation from officers on key changes to the Accounts and Annual Governance Statement.

vii. The Committee then received the formal audit findings report for the Council and Pension Fund submitted by the external auditors (Grant Thornton) on their audit of the accounts.

viii. The Council had accepted a material change to the accounts related to Asset Valuations and also recommendations relating to internal controls and the Auditor was then satisfied to issue an unqualified opinion on the Accounts. The Committee then approved the Accounts including the Annual Governance Statement.

b. Financial Governance – Treasury Management

i. The Committee considered the Treasury Management Outturn for 2016/17 which concluded that all prudential indicators were in line with projections and that the average rate of investment return was 0.47% which is 0.14% above the benchmark rate.

ii. In addition the committee received an update report six months into the 2017/18 year which showed an average rate of investment return of 0.26% which is 0.10% above the benchmark rate and all actions on target in line with the strategy..

iii. Members then reviewed the Treasury Management and Annual Investment Strategy for 2018/19. This set out the treasury limits in force, treasury management indicators, current position, borrowing requirement, prospects for interest rates and the borrowing and investment strategies.

iv. Finally the Committee received the outturn for 2017/18 at its July meeting with performance again slightly above benchmark rates.

v. The committee agreed that current performance is good despite this being a very difficult and challenging arena due to the uncertainties within the global financial economy and therefore scrutiny will continue to be important to ensure Council resources are invested wisely.

c. External Audit -

i Alongside the audit of the accounts for 2016/17 and 2017/18 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council following assessments of our financial resilience, economy, efficiency and effectiveness and a broadly satisfactory review of our four main grant returns.

ii. The external auditor also presented their new audit fees for the Council and Pension Fund as well as their audit plans. No significant variances were proposed from the previous audit approach and update reports on their work continued to be presented to the Committee alongside references to key national reports and reviews which could impact on the governance framework.

iii. Finally during the year the Committee endorsed the recommended option for appointment of Grant Thornton as the Council's external auditor for the next five years.

d. Corporate Governance –

i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review. In addition there was a review of progress against actions identified in the previous year's statement.

ii. In relation to the 2016/17 and 2017/18 reviews a number of reports were received to inform the Committee of their role and the overall process.

iii. Whilst there were no governance failures the Council did decide to acknowledge as a significant issue in both years the scale of the financial challenge and the pressures on all services, notably Social Care and Children's Services. The formal statement was then signed by the Leader of Council and Chief Executive prior to the statutory deadline.

iv. Finally a revised local code of Corporate Governance was proposed and recommended on to full Council to take account of updated guidance and this was endorsed by all Members.

e. Internal Audit & Counter Fraud –

i The Committee received a report on a new approach to the preparation of the Audit Plan – the reasonable assurance model – which looked at eight core themes of an organisation. It was supportive of this new methodology as well as the new style and presentation of the plan which demonstrated the linkages between the Council's priorities and the different elements of the Council's internal control framework.

ii. The Committee was satisfied with the balance of the 2018/19 plan in relation to the Council's key corporate risks as well as the mix of its planned projects, unplanned commissions and follow-up of previous reports.

iii. In relation to performance the Committee reviewed the outcomes of the service against its key performance indicators for 2017/18 notably high risk audits and the impacts of unplanned work and investigations alongside a number of other key indicators such as customer satisfaction and the level of productivity.

iv. The committee noted the annual opinion on the internal control framework and that with increased pressure on budgets, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.

v. Updates were also received around improvements delivered to Internal Audit through the 'Audit West' arrangements with significant productivity gains through simplification and use of one single process across partners and increased use of areas such as Data Analytics to maximise the sharing of resources.

vi. The committee was pleased to see the new arrangements working effectively and remains keen to support further progress so that the partnership continues to deliver value to the Council.

vii. The committee was also pleased to see that the formal independent review of the service against its professional standards resulted in the highest rating and remains keen to support further progress so that the arrangement continues to deliver value to the Council.

viii. Finally the Committee considered the annual plan for pro-active Counter-Fraud work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.

f. Awareness & Briefings

i. Updates and briefings continue to be a strong part of the Committee's approach to raising awareness of key governance issues with members and several additional briefings were given during the year at meetings. These included -

- Housing Benefit
- Internal Audit
- External Audit
- Treasury Management
- Risk Management
- Annual Accounts
- Annual Governance Statement

ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue in 2017/18.

g. Review of Terms of Reference

i. As part of good practice a high level desktop review was undertaken of the Committee's Terms of Reference against CIPFA's best practice model for Audit Committees. Areas previously highlighted included independent support and training and development.

ii. In relation to independent support the committee has already tackled this through the adoption of a co-opted independent member and the level of independence to the committee will be kept under review.

3. WORK PLAN FOR 2018/19

i. Whilst the Committee's work in 2018/19 will be broadly similar to the year recently ended it will keep under close review a number of key issues –

a) Financial resilience of the organisation;
b) Treasury Management Arrangements;
c) Savings plans and risks in Children's and Adults Services;

4. MEMBERSHIP AND SUPPORT

i. Councillor Brian Simmons is Chair of the Committee and during the year Cllr Chris Pearce was replaced by Cllr Chris Watt. The Committee would like to extend their condolences following the sad passing of Cllr Pearce.

ii. The Committee is supported by a number of officers notably the Head of Audit West and the interim Chief Financial Officer who leads on financial issues through her S151 role.

iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.

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Bath & North East Somerset Council		
MEETING	**Council**	
MEETING DATE:	**13 September 2018**	
TITLE:	**COUNCIL COMPANY ANNUAL ACCOUNTS**	
WARD:	All	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 - ADL annual report and accounts

Appendix 2 - ACL annual report and accounts

Appendix 3 - BTP annual report and accounts (to follow)

1 THE ISSUE

1.1 To note the annual accounts of Aequus Developments Limited (ADL), Aequus Construction Limited (ACL) and Bath Tourism Plus (BTP).

2 RECOMMENDATION

The Council is recommended to:

2.1 Note the ADL 2017/18 year end audited accounts (Appendix 1)

2.2 Note the ACL 2017/18 year end audited accounts (Appendix 2)

2.3 Note the BTP 2017/18 year end audited accounts (Appendix 3 to follow)

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The resource implications including the specific financial impact on the Council for each company is set out within the body of the report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 ADL, ACL and BTP are governed in accordance the agreed company governance arrangements, articles of association and other operating agreements. These accounts are provided to the Council for consideration in accordance with the Local Authorities (Companies) Order 1995

5 THE REPORT

5.1 The Council wholly owns the property investment company, ADL and its subsidiary company ACL, to develop, deliver, own and manage property as well as delivering new development on a case by case basis. Both ADL and ACL are companies limited by shares.

5.2 As shareholder of ADL (and ultimately ACL), the Council is asked to note the accounts of these companies.

5.3 The Council acquired sole ownership of BTP which is a company limited by guarantee, with the Council as sole member of the company.

5.4 As sole member of BTP, the Council is asked to note the accounts of this company.

ADL & ACL – COMPANY ACCOUNTS

5.5 The ADL 2017/18 accounts attached at Appendix 1, cover the second trading period for the company and shows that the company has made an operating profit of £316k. This performance reflects an underlying desktop revaluation of the portfolio together with an underlying operating surplus of £35k. This compares to the first-year operating deficit of £136k reflecting the initial set up costs for the company. During this period ADL has provided some £545k of capital receipts and £34k of revenue interest and loan arrangement fee payments to the Council.

5.6 The ACL 2017/18 accounts attached at Appendix 2 cover the first trading period for the company. As anticipated the company made a small operating deficit of £164k. This is fully in line with projections and reflect the company's costs incurred with the commencement of its first development, Riverside View in Keynsham. Income from sales of the first completed properties is anticipated to commence towards the end of the next year's trading and significant financial returns will be delivered for the Council. During this accounting period ACL has already delivered £1.6m worth of capital receipt for the Council and has returned £46k of revenue interest and loan arrangement fee payments to the Council.

5.7 Further details for each of the company activities are provided within the Director's Reports forming part of the accounts for each company.

BTP Company Accounts

5.8 The BTP 2017/18 accounts are currently being finalised by their external accountants and auditors Moore Stephens. These are expected to be completed week commencing 3rd September 2018 and will be despatched separately for the Council's consideration (Appendix 3 – to follow).

5.9 Further details on the company's activities will be provided in the Director's Report within the company accounts.

6 RATIONALE

6.1 The recommendation complies with the legal and best practice requirements for the governance of local authority companies.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 The ADL, ACL and BTP accounts have been drawn up with support from external experts and the Monitoring and S151 Officers have had the opportunity to review and input into this report.

8.2 Consultation has taken place with the Boards of ADL and ACL and the Board of BTP.

9 RISK MANAGEMENT

9.1 Each of the companies are required to maintain appropriate risk management arrangements specific to their activities and operations for which the relevant company Board is responsible. Full details are reported to the Council (as Shareholder) as part of the annual business planning processes for each company.

Contact person	*Tim Richens, Commercial Director. Tel: 07980 998655 (for ADL and ACL).* *John Wilkinson, Director of Economy & Growth. Tel: 01225 396593 (for BTP).*
Background papers	*None*
Please contact the report author if you need to access this report in an alternative format	

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Report of the Directors and

Financial Statements

for the Year Ended 31 March 2018

for

Aequus Developments Limited

Contents of the Financial Statements for the Year Ended 31 March 2018

Aequus Developments Limited

Company Information
for the Year Ended 31 March 2018

DIRECTORS:	C D Gerrish L J Kew R H Marshall D P E Quilter T Richens D P Robathan
REGISTERED OFFICE:	20 Old Bond Street Bath BA1 1BP
REGISTERED NUMBER:	10060817 (England and Wales)

Report of the Directors
for the Year Ended 31 March 2018

The directors present their report with the financial statements of the company for the year ended 31 March 2018.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of an investment property company.

REVIEW OF BUSINESS
It gives me great pleasure to present this Annual Report to shareholders, my second as Chairman. This year of operation has seen the incorporation of Aequus Construction Ltd (ACL), a 100% subsidiary of Aequus Developments Limited (ADL), created to manage the construction and development sites; the progress of this business is reported in the Annual Report of ACL.

During this second full year of operation, I have had the opportunity to see the developing portfolio ADL will be managing, building on the valuable start in 2016/17; we continue to create a sustainable business, to the benefit of our shareholders and most importantly bringing homes back into use for our wider community.

Operational progress
During the year, further centre property refurbishments were completed building on the sound start in the first year of operation. The additional seven units of accommodation bring the total number of units to 22 within 11 properties. These properties, in particular the Homes of Multiple Occupancy (HMOs) are largely targeted at the young professional market and are relatively affordable.

The transfer of properties hasn't progressed as quickly as originally anticipated and we will work with Bath & North East Somerset Council (the Council) to improve supply going forwards.

Underlying void levels were 3.1% over the year, after exclusion of new property void periods and one longer term vacancy. We anticipate this void level remaining within the target of 5% as the portfolio increases.

Rental income levels have remained healthy giving rise to a positive lease portfolio revaluation exercise. This reflects the current state of the market and strong demand.

ADL has agreed with the Council that, going forwards, new refurbishments of properties will be carried out by ADL rather than the Council, to streamline the refurbishment process.

ADL continue to use the Deposit Protection Scheme for tenants and work closely with our property managing agent Stonier Hobbs who continue to aid the relationships with our tenants and carry out the property management day to day activities, for which I thank them for their continuing input.

On top of the existing residential homes, ACL will be bringing forward sites, starting with Riverside View in Keynsham, which will also supply properties to ADL for letting. By the end of the financial year 2020/21 our aim is to have delivered a total of 250 new homes through both ADL and ACL.

We will need to keep an eye on the risks to the sector including potential impacts of Brexit.

Financial performance
The turnover of ADL has increased from £82,605 in 2016/17 to £253,219 in 2017/18 and this is forecast to increase further as the portfolio expands.

The profit before tax is £283,418, largely due to the lease revaluation in the year of £280,524; this is not in a position to be released as dividend as the lease revaluation is non-distributable; all capital appreciation is retained for the Council.
In total, £545,000 worth of capital receipts have been returned to the Council during the year together with interest and arrangement payments on loans to a total of £34,167.

The financial performance in the year has been solid which gives us further confidence for the future.

The opportunity
Our executive team continues to look at opportunities to grow ADL in a sustained manner that delivers value to its shareholder and the wider community.

With the progress of the ACL developments we will explore options to expand our rental portfolio through investment in developments such as Riverside View in Keynsham. This will support plans to diversify from central Bath and provide good quality rental properties to other areas within Bath & North East Somerset.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

Report of the Directors
for the Year Ended 31 March 2018

DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2017 to the date of this report.

C D Gerrish
L J Kew
R H Marshall
D P E Quilter
T Richens
D P Robathan

Other changes in directors holding office are as follows:

M Shields ceased to be a director after 31 March 2018 but prior to the date of this report.

FINANCIAL INSTRUMENTS
Aequus Developments' financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 15 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

....
C D Gerrish - Director

Date: ....

Report of the Independent Auditors to the Members of
Aequus Developments Limited

Opinion
We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Report of the Independent Auditors to the Members of
Aequus Developments Limited

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
The report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Longmore (Senior Statutory Auditor)
for and on behalf of MHA Monahans
Statutory Auditor
Chartered Accountants
Lennox House
3 Pierrepont Street
Bath
BA1 1LB

Date: ....

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 March 2018

	Notes	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
CONTINUING OPERATIONS			
Revenue	3	253,219	82,605
Gain/loss on revaluation of investment property		280,524	-
Administrative expenses		(218,084)	(218,974)
OPERATING PROFIT/(LOSS)		315,659	(136,369)
Finance costs	5	(32,241)	(19,446)
PROFIT/(LOSS) BEFORE TAXATION	6	283,418	(155,815)
Taxation	7	(51,042)	28,391
PROFIT/(LOSS) FOR THE YEAR		232,376	(127,424)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		232,376	(127,424)

The notes form part of these financial statements

Aequus Developments Limited (Registered number: 10060817)

Statement of Financial Position
31 March 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Investment property	8	2,175,817	1,350,293
Investments	9	100	-
Deferred tax	16	-	28,391
		2,175,917	1,378,684
CURRENT ASSETS			
Trade and other receivables	10	14,286	19,645
Cash and cash equivalents	11	119,865	94,468
		134,151	114,113
TOTAL ASSETS		2,310,068	1,492,797
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	100	100
Other reserves	13	262,634	-
Retained earnings	13	(157,682)	(127,424)
TOTAL EQUITY		105,052	(127,324)
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	14	1,993,376	1,355,007
Deferred tax	16	22,651	-
		2,016,027	1,355,007
CURRENT LIABILITIES			
Trade and other payables	14	188,989	265,114
TOTAL LIABILITIES		2,205,016	1,620,121
TOTAL EQUITY AND LIABILITIES		2,310,068	1,492,797

The financial statements were approved by the Board of Directors on .... and were signed on its behalf by:

....
C D Gerrish - Director

....
T Richens - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 March 2018

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Changes in equity				
Issue of share capital	100	-	-	100
Total comprehensive income	-	(127,424)	-	(127,424)
Balance at 31 March 2017	100	(127,424)	-	(127,324)
Changes in equity				
Total comprehensive income	-	232,376	-	232,376
Transfer non distributable	-	(262,634)	262,634	-
Balance at 31 March 2018	100	(157,682)	262,634	105,052

The notes form part of these financial statements

Statement of Cash Flows
for the Year Ended 31 March 2018

	Notes	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Cash flows from operating activities			
Cash generated from operations	20	(24,470)	73,872
Interest paid		(32,241)	(19,446)
Net cash from operating activities		(56,711)	54,426
Cash flows from investing activities			
Purchase of fixed asset investments		(100)	-
Purchase of investment property		(545,000)	(1,350,293)
Net cash from investing activities		(545,100)	(1,350,293)
Cash flows from financing activities			
New loans in year		645,000	1,400,293
Loan repayments in year		(17,792)	(10,058)
Share issue		-	100
Net cash from financing activities		627,208	1,390,335
Increase in cash and cash equivalents		25,397	94,468
Cash and cash equivalents at beginning of year	21	94,468	-
Cash and cash equivalents at end of year	21	119,865	94,468

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

Aequus Developments Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for investment property which have been measured at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2018, based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

Revenue recognition
Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognised is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty.

The specific recognition criteria described below must also be met before income is recognised.

Rental income
The company is a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included within revenue in the income statement due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the term of the lease on the same basis as income.

Tenant lease incentives
Tenant lease incentives are recognised as a reduction of rental revenue on a straight term basis over the term of the lease. The lease term is the non cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidation are recognised in the income statement when the right to receive them arises.

Service charges, management charges and other expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of related costs, as the directors consider that the company acts as a principal in this respect.

Tenant deposits
Tenant deposit liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight line basis over the lease term.

continued...

2. **ACCOUNTING POLICIES - continued**

Investment property

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by management on an annual basis using a recognised valuation method. Every five years the investment properties are valued by professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.
Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed carrying value is:
a) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
b) Increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period’s financial statements.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

continued...

2. **ACCOUNTING POLICIES - continued**

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, finance lease receivables and derivative financial instruments with a positive fair value, including receivables from group companies. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Financial liabilities of the company mainly comprise loans from group companies and trade payables including amounts due to group companies. The company does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognised on the Statement of Financial Position when the company becomes a party to the contractual obligations of the instrument. Purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

Cash and cash equivalents
The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Impairment of financial assets
Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

continued...

2. **ACCOUNTING POLICIES - continued**

Loans and receivables

Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

Financial liabilities

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when their is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

Provisions

A provision is recognised in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the Statement of Income. The present value of recognised obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the company recognises a gain or loss on settlement.

Borrowing costs

The company pays or receives interest on some of its intercompany loan balances. These are recognised within interest in the Statement of Income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

continued...

2. **ACCOUNTING POLICIES - continued**

Management estimates and judgements
Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgement and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Valuation of property - The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13.

New and amended standards effective for the period ended 31 March 2018
The accounting policies adopted are consistent with those applied since the prior period, except for the following new and amended IFRSs effective as of 1 January 2017 that impact the company. The nature and impact of each new standard and amendments are described below:

Disclosure Initiative (Amendments to IAS 7)
Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

Annual Improvements 2014 - 2016 cycle
In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

New standards and interpretations not yet adopted:
A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2018, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

IFRS 9 (2014) - Financial Instruments
IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

IFRS 9 will impact the company by the classification, measurement, impairment and de-recognition of financial instruments.

IFRS 16 Leases
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Effective to annual reporting periods beginning on or after 1 January 2019.

The effect on the company will be that on the statement of financial position, a right of use asset and a corresponding lease liability must be recognised for both operating and finance leases. In the income statement, any exisiting operating lease charge which is currently recognised within operating profit will be replaced by a depreciation charge in rsepect of the right to use the asset, and an interest cost in relation to the lease liability.

continued...

2. **ACCOUNTING POLICIES - continued**

Annual Improvements 2014 - 2016 cycle
In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

Annual Improvements 2015 - 2017 cycle
In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 Income Taxes. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Amendments are effective for annual periods beginning on or after 1 January 2019

3. **SEGMENTAL REPORTING**

All revenue was generated within the United Kingdom.

4. **EMPLOYEES AND DIRECTORS**

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
	£	£
Wages and salaries	3,000	2,133

The average number of employees during the year was as follows:

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
Directors	7	7

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
	£	£
Directors' remuneration	3,000	2,133

Directors' remuneration relates to those non executive directors who are not B&NES Councillors only.

continued...

5. **NET FINANCE COSTS**

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Finance costs:		
Other loan interest	32,241	19,446

6. **PROFIT/(LOSS) BEFORE TAXATION**

The profit before taxation (2017 - loss before taxation) is stated after charging:

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Auditors' remuneration	8,825	5,730
Auditors' remuneration for non audit work	4,116	23,796

Breakdown of expenses by nature:

	31.03.2018 £	31.03.2017 £
Establishment costs	3,765	6,693
Administrative expenses	213,279	209,736
Finance costs	1,040	2,545
Total administrative expenses	218,084	218,974

7. **TAXATION**

Analysis of tax expense/(income)

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Deferred tax	51,042	(28,391)
Total tax expense/(income) in statement of profit or loss and other comprehensive income	51,042	(28,391)

The deferred tax income in 2018 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2018 the company was subject to UK corporation tax at a rate of 19%.

8. **INVESTMENT PROPERTY**

	Total £
FAIR VALUE	
At 1 April 2017	1,350,293
Additions	545,000
Revaluations	280,524
At 31 March 2018	2,175,817
NET BOOK VALUE	
At 31 March 2018	2,175,817
At 31 March 2017	1,350,293

continued...

8. INVESTMENT PROPERTY - continued

Fair value at 31 March 2018 is represented by:

	£
Valuation in 2018	280,524
Cost	1,895,293
	2,175,817

9. INVESTMENTS

	Shares in group undertakings £
COST	
Additions	100
At 31 March 2018	100
NET BOOK VALUE	
At 31 March 2018	100

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Aequus Construction Limited
Registered office: 20 Old Bond Street, Bath, England, BA1 1BP
Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

10. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Current:		
Other debtors	-	19,370
VAT	6,413	-
Prepayments and accrued income	7,873	275
	14,286	19,645

11. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Bank accounts	119,865	94,468

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
100	Ordinary	£1	100	100

continued...

13. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1 April 2017	(127,424)	-	(127,424)
Profit for the year	232,376		232,376
Transfer non distributable	(262,634)	262,634	-
At 31 March 2018	(157,682)	262,634	104,952

Other reserves - Non distributable retained earnings which represent gains on revaluations of investment property after deduction of deferred tax.

14. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Current:		
Trade creditors	271	13,610
Amounts owed to group undertakings	149,047	214,688
Other creditors	19,263	17,345
Accruals and deferred income	20,408	19,471
	188,989	265,114
Non-current:		
Amounts owed to group undertakings	1,993,376	1,355,007
Aggregate amounts	2,182,365	1,620,121

continued...

15. FINANCIAL INSTRUMENTS

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments.
The following table presents the carrying amounts of each category of financial assets and liabilities:

	31 March 2018 £	31 March 2017
Financial assets		
Loans and receivables	14,286	19,645
Cash and cash equivalents	119,865	94,468
	134,151	114,113
Financial liabilities		
Financial liabilities measured at amortised cost	2,182,365	1,620,121
	2,182,365	1,620,121

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	31 March 2018		31 March 2017	
	Fair value £	Carrying value £	Fair Value £	Carrying Value £
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	119,865	119,865	94,468	94,468
Other current financial assets	14,286	14,286	19,645	19,645
	134,151	134,151	114,113	114,113
Financial liabilities measured at cost or amortised cost				
Trade payables	271	271	13,610	13,610
Other current financial liabilities	188,718	188,718	251,504	251,504
Non current financial liabilities	1,993,376	1,993,376	1,355,007	1,355,007
	2,182,365	2,182,365	1,620,121	1,620,121

All financial assets and liabilities are measured at amortised cost.
The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

There are no financial assets and liabilities measured at fair value.

continued...

FINANCIAL RISK MANAGEMENT
Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

Foreign currency risk
The company has limited exposure to foreign currency risk. Substantially all of the company's sales and purchases are denominated in sterling.

Foreign currency sensitivity
As at the 31 March 2018 the company had no exposure to foreign currency transaction exposure.

Credit risk and market risk
The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

Liquidity risk
Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its major shareholder BANES.

Cash flow interest rate risk
The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

Equity price risk
The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2019	2020	2021 to 2023	2024 and thereafter
	£	£	£	£
Non derivative financial liabilities	188,989	73,333	172,852	1,771,258
Trade payables	271	-	-	-
Other financial liabilities	188,718	73,333	172,852	1,771,258

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2018.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

continued...

The following table reflects the calculation of the company's net liquidity:

	31 March 2018	31 March 2017
	£	
Cash and cash equivalents	119,865	94.468
Receivables from group companies	-	-
Total liquidity	119,865	94,468
Short term debt and current maturities of long term debt	24,067	35,228
Amounts due to group companies	124,980	179,460
Long term debt	1,993,376	1,355,007
Total debt	2,142,423	1,569,695
Net liquidity	(2,022,558)	(1,475,227)

Capital management
The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

16. **DEFERRED TAX**

	2018	2017
	£	£
Balance at 1 April	(28,391)	-
Change in rate of tax	2,989	(28,391)
Movement	364	-
Revaluation gain	47,689	-
Balance at 31 March	22,651	(28,391)

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Assets:		
Investment property	-	-
Provisions and tax losses	-	28,391
Deferred tax asset	-	28,391
Liabilities:		
Investment property	(47,689)	-
Provisions and tax losses	25,038	-
Deferred tax liability	(22,651)	-
Total deferred tax (liability)assets, net	(22,651)	28,391

Management considers to what extent it is probable that the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

17. **ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:
www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts

continued...

18. **RELATED PARTY DISCLOSURES**

Transactions and balances between the company and its parent company BANES are disclosed below:

	Year ended 31 March 2018	Period ended 31 March 2017
	£	
Purchase of investment property	545,000	1,350,293
Purchase of external services provided	85,579	138,133
Other goods and services	14,026	28,584
Interest expense	33,222	19,446
Loan arrangement fees	945	2,520
Sales - Recharges	24,150	-

Year end balances arising from loans received from BANES amount to:

	Period ended 31 March 2018	Period ended 31 March 2017
	£	
Loan payable to parent undertaking	2,017,443	1,390,235
Trade payables	124,980	179,460

The loan payable to BANES is secured upon a fixed and floating charge over the assets of the company. Interest is charged on the loans amounting to EU Base plus 1% or EU Base plus 4% depending on the purpose of the loan.

Transactions and balances between the company and its subsidiary Aequus Construction Limited are disclosed below:

	Year ended 31 March 2018	Period ended 31 March 2017
	£	
Sales - Recharges	85,101	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year was as follows:

	2018	**2017**
	£	**£**
Seconded officer costs	38,319	35,842

These costs were paid to the members of key management by BANES and recharged to Aequus Developments Limited.

19. **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period.

20. **RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
	£	£
Profit/(loss) before taxation	283,418	(155,815)
Movement in group trade payables	(54,480)	179,460
Investment property revaluation	(280,524)	-
Finance costs	32,241	19,446
	(19,345)	43,091
Decrease/(increase) in trade and other receivables	5,359	(19,645)
(Decrease)/increase in trade and other payables	(10,484)	50,426
Cash generated from operations	(24,470)	73,872

continued...

21. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2018

	31.3.18	1.4.17
	£	£
Cash and cash equivalents	119,865	94,468

Period ended 31 March 2017

	31.3.17	14.3.16
	£	£
Cash and cash equivalents	94,468	-

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REGISTERED NUMBER: 10832066 (England and Wales)

Report of the Directors and

Financial Statements

for the Period 22 June 2017 to 31 March 2018

for

Aequus Construction Limited

Contents of the Financial Statements
for the Period 22 June 2017 to 31 March 2018

Aequus Construction Limited

Company Information
for the Period 22 June 2017 to 31 March 2018

DIRECTORS:	D P E Quilter T Richens
REGISTERED OFFICE:	20 Old Bond Street Bath BA1 5BP
REGISTERED NUMBER:	10832066 (England and Wales)

Report of the Directors
for the Period 22 June 2017 to 31 March 2018

The directors present their report with the financial statements of the company for the period 22 June 2017 to 31 March 2018.

INCORPORATION
The company was incorporated on 22 June 2017.

PRINCIPAL ACTIVITY
The principal activity of the company in the period under review was that of property development and construction.

REVIEW OF BUSINESS
It gives me great pleasure to present this Annual Report to shareholders, the first since establishment of Aequus Construction Limited (ACL) in June 2017.

ACL was established as a wholly owned subsidiary of Aequus Developments Limited (ADL), to deliver the construction and development of sites for Bath & North East Somerset Council (the Council).

The creation of ACL has allowed both ADL and ACL to focus on their differing businesses and to take advantage of the different areas of expertise of management and professional advisors.

Operational progress: The project
During the year, the first ACL project, Riverside View, Keynsham, started on site in November 2017; the project will deliver 95 apartments through renovation of an old office building.

The strip out of the building was almost complete by the end of March 18; the contractors for the shell and core works have been appointed and since the year end have started on site. Soft market launch is anticipated for early Autumn 2018 and first sales are anticipated in Spring 2019.

In the meantime, ACL is working with the Council to bring forward further development sites during 2018/19 and also working on potential Joint Ventures with local public bodies.

The development pipeline of sites is a key priority for the business.

The executive team has demonstrated their capacity for innovation, proactively seeking opportunities both within and outside the Bath and North East Somerset area, looking at options for independent purchase and development and for working with and for partner public bodies.

Some of this innovation will lead to real opportunities and to a pipeline which will bring further confidence for future years and continued returns to the shareholder.

Financial performance
In total, £1.6m worth of capital receipt has been returned to the Council on completion of the lease for Riverside View plus £260,000 worth of works to retail units, together with interest and arrangement payments on loans to a total of £45,707.

The Council target for revenue returns from ADL and ACL is £300,000 for 2017/18 increasing to £450,000 in 2018/19 and £600,000 thereafter. This will be met by interest returns, and dividend release.

The ability of ADL and ACL to meet this target is largely dependent on the development pipeline; at this point we are encouraged by the performance of our pipeline opportunities which gives us confidence for the future.

The opportunity
ACL will work with its shareholder and partners to continue to grow the pipeline of developments to ensure that it delivers sustainable growth and returns to its shareholder.

We will bring forward sites quickly, not land banking, promote low energy homes delivering sustainable communities and working with the local housing teams to deliver schemes that meet identified local needs.

The quality and number of homes for the future extends beyond the current pipeline of developments. We will seek to new opportunities both through working in partnership and via our acquisition programme to bring forward sites that address agreed local housing needs and generate a return to our shareholder.

EVENTS SINCE THE END OF THE PERIOD
Information relating to events since the end of the period is given in the notes to the financial statements.

Report of the Directors
for the Period 22 June 2017 to 31 March 2018

DIRECTORS
The directors who have held office during the period from 22 June 2017 to the date of this report are as follows:

M Shields - appointed 22 June 2017
D P E Quilter - appointed 22 June 2017
T Richens - appointed 22 June 2017

M Shields ceased to be a director after 31 March 2018 but prior to the date of this report.

Both the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

FINANCIAL INSTRUMENTS
Aequus Construction's financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 14 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

....
T Richens - Director

Date: ....

Report of the Independent Auditors to the Members of
Aequus Construction Limited

Opinion
We have audited the financial statements of Aequus Construction Limited (the 'company') for the period ended 31 March 2018 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

The report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Longmore (Senior Statutory Auditor)
for and on behalf of MHA Monahans
Statutory Auditor
Chartered Accountants
Lennox House
3 Pierrepont Street
Bath
BA1 1LB

Date: ....

Aequus Construction Limited (Registered number: 10832066)

Statement of Profit or Loss and Other Comprehensive Income for the Period 22 June 2017 to 31 March 2018

	Notes	£
CONTINUING OPERATIONS		
Revenue		-
Administrative expenses		(163,648)
OPERATING LOSS		(163,648)
Finance costs	5	(337)
LOSS BEFORE TAXATION	6	(163,985)
Taxation	7	25,053
LOSS FOR THE PERIOD		(138,932)
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(138,932)

The notes form part of these financial statements

Aequus Construction Limited (Registered number: 10832066)

Statement of Financial Position
31 March 2018

	Notes	£
ASSETS		
NON-CURRENT ASSETS		
Deferred tax	15	25,053
CURRENT ASSETS		
Inventories	8	2,478,037
Trade and other receivables	9	117,396
Cash and cash equivalents	10	221,730
		2,817,163
TOTAL ASSETS		2,842,216
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	11	100
Retained earnings	12	(138,932)
TOTAL EQUITY		(138,832)
LIABILITIES		
NON-CURRENT LIABILITIES		
Trade and other payables	13	2,470,000
CURRENT LIABILITIES		
Trade and other payables	13	511,048
TOTAL LIABILITIES		2,981,048
TOTAL EQUITY AND LIABILITIES		2,842,216

The financial statements were approved by the Board of Directors on .... and were signed on its behalf by:

....
T Richens - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Period 22 June 2017 to 31 March 2018

	Called up share capital £	Retained earnings £	Total equity £
Changes in equity			
Total comprehensive income	-	(138,932)	(138,932)
Issue of share capital	100	-	100
Balance at 31 March 2018	100	(138,932)	(138,832)

The notes form part of these financial statements

Statement of Cash Flows
for the Period 22 June 2017 to 31 March 2018

	Notes	£
Cash flows from operating activities		
Cash generated from operations	20	(2,248,033)
Interest paid		(337)
Net cash from operating activities		(2,248,370)
Cash flows from financing activities		
New loans in year		2,470,000
Share issue		100
Net cash from financing activities		2,470,100
Increase in cash and cash equivalents		221,730
Cash and cash equivalents at beginning of period	21	-
Cash and cash equivalents at end of period	21	221,730

The notes form part of these financial statements

Notes to the Financial Statements
for the Period 22 June 2017 to 31 March 2018

1. **STATUTORY INFORMATION**

Aequus Construction Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2018, based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, finance lease receivables and derivative financial instruments with a positive fair value, including receivables from group companies. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Financial liabilities of the company mainly comprise loans from group companies and trade payables including amounts due to group companies. The company does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognised on the Statement of Financial Position when the company becomes a party to the contractual obligations of the instrument. Purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

Cash and cash equivalents
The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

continued...

2. **ACCOUNTING POLICIES - continued**

Impairment of financial assets
Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans and receivables
Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

Financial liabilities
Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Inventories
Inventories are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when their is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

Borrowing costs

Borrowing costs are recognised on an accruals basis and are payable on the company's borrowings. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

New and amended standards effective for the period ended 31 March 2018

The accounting policies adopted are consistent with those applied since incorporation except for the following new and amended IFRSs that impact the company. The nature and impact of each new standard and amendments are described below:

Annual Improvements 2014 - 2016 cycle

In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

continued...

2. **ACCOUNTING POLICIES - continued**

New standards and interpretations not yet adopted:
A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2018, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

IFRS 9 (2014) - Financial Instruments
IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

IFRS 9 will impact the company by the classification, measurement, impairment and de-recognition of financial instruments.

IFRS 15 - Revenue from contracts with customers
IFRS 15, effective for years beginning after 1 January 2018, replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Given the company is yet to recognise revenue, future revenue of the company will be recognised in accordance with this standard.

continued...

2. **ACCOUNTING POLICIES - continued**

Annual Improvements 2014 - 2016 cycle
In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,
IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

Annual Improvements 2015 - 2017 cycle
In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 Income Taxes. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Amendments are effective for annual periods beginning on or after 1 January 2019

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Critical accounting judgements
Management have not made any individual critical accounting judgements that are material to the company, apart from those estimations which are set out below.

Key sources of estimation uncertainty
Key sources of estimation uncertainty are those which present a significant risk of potential material misstatement to carrying amounts of assets or liabilities within the next financial year.There are no key sources of estimation uncertainty in the financial statements for the period ended 31 March 2018.

4. **EMPLOYEES AND DIRECTORS**

There were no staff costs for the period ended 31 March 2018.

The average number of employees during the period was as follows:

Directors	3

	£
Directors' remuneration	-

5. **NET FINANCE COSTS**

	£
Finance costs:	
Loan interest	337

continued...

6. **LOSS BEFORE TAXATION**

Breakdown of expenses by nature:

	31.03.2018
	£
Establishment costs	1,655
Administrative expenses	161,843
Finance costs	150
Total administrative expenses	163,648

7. **TAXATION**

Analysis of tax income

	£
Deferred tax	(25,053)
Total tax income in statement of profit or loss and other comprehensive income	(25,053)

The deferred tax income in 2018 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2018 the company was subject to UK corporation tax at a rate of 19%. For future years the company will be subject to corporation tax at 17%.

8. **INVENTORIES**

	£
Work-in-progress	2,478,037

9. **TRADE AND OTHER RECEIVABLES**

	£
Current:	
VAT	54,591
Prepayments and accrued income	62,805
	117,396

10. **CASH AND CASH EQUIVALENTS**

	£
Bank accounts	221,730

11. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	£
100	Ordinary	£1	100

On incorporation 100 £1 ordinary shares were issued at par.

continued...

12. **RESERVES**

	Retained earnings £
Deficit for the period	(138,932)
At 31 March 2018	(138,932)

13. **TRADE AND OTHER PAYABLES**

	£
Current:	
Trade creditors	136,259
Amounts owed to group undertakings	326,362
Accruals and deferred income	48,427
	511,048
Non-current:	
Amounts owed to group undertakings	2,470,000
Aggregate amounts	2,981,048

continued...

14. **FINANCIAL INSTRUMENTS**

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments.
The following table presents the carrying amounts of each category of financial assets and liabilities:

	31 March 2018 £
Financial assets	
Loans and receivables	117,396
Cash and cash equivalents	221,730
	339,126
Financial liabilities	
Financial liabilities measured at amortised cost	2,981,048
	2,981,048

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	31 March 2018 Fair value £	Carrying value £
Financial assets measured at cost or amortised cost		
Cash and cash equivalents	221,730	221,730
Other current financial assets	117,396	117,396
	339,126	339,126
Financial liabilities measured at cost or amortised cost		
Trade payables	136,259	136,259
Other current financial liabilities	374,789	374,789
Non current financial liabilities	2,470,000	2,470,000
	2,981,048	2,981,048

All financial assets and liabilities are measured at amortised cost.
The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

There are no financial assets and liabilities measured at fair value.

continued...

FINANCIAL RISK MANAGEMENT
Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

Foreign currency risk
The company has limited exposure to foreign currency risk. Substantially all of the company's purchases are denominated in sterling.

Foreign currency sensitivity
As at the 31 March 2018 the company had no exposure to foreign currency transaction exposure.

Credit risk and market risk
The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

Liquidity risk
Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its major shareholder BANES.

Cash flow interest rate risk
The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

Equity price risk
The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2019	2020	2021 to 2023	2024 and thereafter
	£	£	£	£
Non derivative financial liabilities	561,048	-	2,470,000	-
Trade payables	136,259	-	-	
Other financial liabilities	374,789	-	2,470,000	-

There are no derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2018.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

continued...

The following table reflects the calculation of the company's net liquidity:

	31 March 2018
	£
Cash and cash equivalents	221,730
Receivables from group companies	-
Total liquidity	221,730
Short term debt and current maturities of long term debt	184,686
Amounts due to group companies	326,362
Long term debt	2,470,000
Total debt	2,981,048
Net liquidity	(2,759,318)

Capital management
The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

15. **DEFERRED TAX**

	£
Income statement	(25,053)
Balance at 31 March	(25,053)

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

	Year ended 31 Mar 2018
Assets:	
Property, plant and equipment	-
Provisions and tax losses	25,053
Deferred tax asset	25,053
Liabilities:	
Property, plant and equipment	-
Provisions and tax losses	-
Deferred tax liability	-
Total deferred tax assets, net	25,053

Management considers to what extent it is probable that the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

16. **ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:
www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts

continued...

17. CAPITAL COMMITMENTS

	£
Contracted but not provided for in the financial statements	61,414

18. RELATED PARTY DISCLOSURES

Transactions and balances between the company and other members of the group to which it is a member are disclosed below:
Transactions with BANES.

	Year ended 31 March 2018 £
Purchase of land and property	1,600,000
Other goods and services	201,199
Interest recharge	42,537
Loan arrangement fees	3,170

Year end balances arising from loans received from BANES amount to:

	Period ended 31 March 2018 £
Loan payable to parent undertaking	2,470,000
Trade payables	326,362

The loan payable to BANES is secured by a fixed and floating charge over the company assets. Interest is charged on the loans at EU base plus 4%. BANES has also provided a guarantee to certain company suppliers.

Transactions with Aequus Developments Limited (immediate parent undertaking)

	Year ended 31 March 2018 £
Other goods and services	85,101

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year was as follows:

	2018 **£**
Seconded officer costs	82,411

These costs were paid to the members of key management by BANES and recharged to Aequus Construction Limited.

19. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

20. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	£
Loss before taxation	(163,985)
Finance costs	337
	(163,648)
Increase in inventories	(2,478,037)
Increase in trade and other receivables	(117,396)
Increase in trade and other payables	511,048
Cash generated from operations	(2,248,033)

continued...

21. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 31 March 2018

	31.3.18	22.6.17
	£	£
Cash and cash equivalents	221,730	-

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Bath & North East Somerset Council		
MEETING:	**Council**	
MEETING DATE:	**13th September 2018**	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	**Updated Financial Regulations and Budget Management Scheme**	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report **Appendix 1:** Updates Financial Regulations and Budget Management Scheme		

1 THE ISSUE

1.1 The Financial Regulations and Budget Management Scheme were previously updated in 2015. These have now been reviewed and updated, and aligned with the new management structure that was put in place for April 2018.

2 RECOMMENDATION

That Council approves:-:

2.1 The updated Financial Regulations and Budget Management Scheme attached in Appendix A.

2.2 Agree that the Key Decision financial threshold should be set at £500k as set out in paragraph 5.12;

2.3 That delegated authority is given to the S151 Officer in consultation with the Chief Auditor to make any updates or changes to the regulations of a non-material nature

2.4 That the Corporate Audit Committee overview any further changes to the regulations in line with their terms of reference

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 There are no direct financial implications of approving the revised regulations, however the rules and regulations under review enable the Council to adopt sound financial management arrangements and establish value for money, so have an indirect impact on all Council Services.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Constitution must be in compliance with the terms of the Local Government Act 2000, Local Government and Public Involvement in Health Act 2007 and Local Democracy, Economic Regeneration and Construction Act 2009, Localism Act 2011 and any other relevant statutory acts or guidance.

5 THE REPORT

5.1 Why do we have Financial and Contractual Rules and Regulations?

This Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

5.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Director of Finance is the Council's designated Chief Finance Officer and hence the Section 151 Officer.

5.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited. The "Accounts and Audit Regulations" 2011 require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority.

5.4 Further to maintain independence from the responsible financial officer 'a relevant body' must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

5.5 The relevant body must therefore ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner.

5.6 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of Financial Regulations that set out the financial policies of the Authority, Budget Management Scheme that controls how the budget is managed in detail and Contract Standing Orders to set out the rules and guidance for how the Council commissions and procures goods and services.

The Principles of our Key Financial Rules and Regulations

5.7 As the Council is responsible for the stewardship of public money it needs to make arrangements to safeguard the interests of taxpayers and other stakeholders. The following eight principles therefore set out at a high level the overriding expectations that Members and Officers must follow to give confidence to all of its stakeholders –

a) **Openness and Transparency** - The Council expects its elected Members and officers to exercise high standards in financial and contract management and administration and aims to stimulate openness and a climate of transparency that it will support through policies and regulations.

b) **Leadership & Management** - The importance of developing clear objectives for the organisation and subsequent prioritisation planning, monitoring and controlling of its resources to achieve its objectives is of vital importance to the Council and it will therefore make arrangements for these activities to be undertaken effectively.

c) **Integrity** - Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.

d) **Value for Money** - Value for money is at the core of the Council's financial activity and the way in which it administers its financial affairs.

e) **Compliance** - Compliance with statutory requirements, directives, accounting standards and appropriate codes of practice will be inherent in the Council's arrangements for financial and contractual matters. The assets and resources of the Council must be protected from loss, damage and theft

f) **Accountability** - Allocation of responsibility and authority in relation to financial and contractual matters will be clearly identified.

g) **Risk Management** - Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.

h) **One Council Approach** - The Council is a large organisation and is mindful of the need for consistent standards in financial and contractual administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial, legal and contractual matters that it has available and act on advice from such sources.

Overview of Changes

The Financial Regulations and Budget Management Scheme define the parameters of responsibility for financial decision making and managing the associated risks as detailed above.

5.8 It is the responsibility of the Chief Finance Officer supported by the Chief Auditor to review and amend these on a regular basis and for the Corporate Audit Committee to review and recommend amendments to Council.

5.9 Due to timing issues and the need for Financial Regulations to align with the new management structure the Chair of the Corporate Audit Committee has been briefed regarding the changes and the Financial Regulations will be fully discussed at the next Corporate Audit Committee in November.

5.10 The Budget Management Scheme has now been appended to Financial Regulations for ease of use and refresher training will take place for managers over the next few months to update them and increase awareness of the regulations.

5.11 The key changes to the Financial Regulations and Budget Management Scheme are:-

- To reflect the new Management Structure and clarify responsibility between Corporate Directors and Directors;

- To amend in line with the current Internal Audit Charter;

- To amend to reflect updated Procurement Strategy and IR35 regulations regarding agency staffing;

- To update the approved delegation agreed at February Full Council regarding approval of capital schemes from “Provisional” to “Full” approval and amend further to delegate decision to Directors in consultation with Corporate Directors;

- To update the Budget Management scheme to allow further delegation of virements within the Budget Management Scheme;

- To simplify and streamline the write off of bad debts;

- To amend to allow Cabinet some flexibility to utilise unearmarked General Balances so long as balances remain within the approved range set out by the Council’s Chief Finance Officer.

5.12 The section 151 Officer has reviewed the limit on key decisions and when they should be considered significant and her advice is that the current limit of £250k should be raised to £500k. This will ensure that relevant decisions are taken to Cabinet.

6 RATIONALE

6.1 Council is requested to agree the amendments to ensure that the Constitution is legally compliant and up to date with best practice. The amendments will also ensure transparency and openness of decision making and facilitate the efficient administration of the Council’s functions. It will provide robust arrangements to facilitate effective debate and decision making. An updated Constitution will ensure the Council is less likely to be challenged on its procedures and processes.

7 OTHER OPTIONS CONSIDERED

7.1 If the Constitution is not amended, it will not be up to date or reflect the correct legal position and therefore open to challenge

8 CONSULTATION

8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Corporate Directors, Internal Audit, the Chair of the Audit and Governance Committee, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

9.2 The substance of this report is part of the Council's risk management process.

Contact person	*Donna Parham - 01225 477468 ; Jeff Wring - 01225 477323* *Donna_Parham@bathnes.gov.uk* *Jeff_Wring@bathnes.gov.uk*
Background papers	*None*
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council

Financial Regulations

(Excluding all Schools)

And Budget Management Scheme

September 2018

Assurance in Financial Management

Officers' & Members' roles & responsibilities explained

Table of Contents

Section 1 - Introduction

Why do we need Financial Regulations?
The challenges faced by the Council to provide and maintain high quality services will continually change. In order to respond effectively to these challenges there is a need to effectively manage the resources used by the Council on behalf of the local taxpayer. Stewardship of Council finances requires high standards of financial integrity and accountability.

The Financial Regulations define the boundaries within which we operate to effectively manage risk. They clarify roles and responsibilities and provide a framework for decision making.

All large organisations have a set of rules to regulate their finances and to protect the interests of their stakeholders and staff. However, the rules themselves are not of any use unless they are known and understood.

Financial Regulations are supported by a detailed of Codes of Practice as well as supporting strategies, policies and procedures, all of which interlink and must be understood in order for the Council to obtain VFM and act transparently.

Who should read and understand Financial Regulations?
The Council's Section151 Officer, as the Council's statutory Chief Financial Officer is ultimately responsible for ensuring the proper administration of the Council's financial affairs. These regulations form part of the arrangements that the Council's Section 151 Officer has put in place to discharge his statutory responsibilities and compliance is required by Members, Officers and other individuals carrying out work on behalf of the Council. This includes Council employees working for the Avon Pension Fund. LEA Schools are required to comply with specific School Financial Regulations which have been incorporated into the Schools Financial Manual.

Directors are responsible for bringing the regulations to the attention of every member of staff, providing the necessary training and monitoring compliance.

Any known breaches of Financial Regulations must be reported via the relevant Director / Corporate Director to the Chief Finance Officer (Section 151 Officer- Local Government Act 1972) or Chief Audit Executive. Failure to comply with Financial Regulations and Codes of Practice will be subject to investigation and may result in disciplinary action.

Codes of Practice
The Financial Regulations must be read in conjunction with the various Council Policies and Codes of Practice, which provide details of the processes, procedures and controls, and which must be adhered too.

The Financial Regulations will be found on the Council's Internal Web site along with copies of all related Council Codes of Practice, Policies, and Procedures.

Compliance
Directors are responsible for ensuring that all staff (including non-permanent staff) in their services are aware of the existence and content of the Council's Financial Regulations, Codes of Practice and other internal regulatory documents and that they comply with them. Directors are responsible for reporting any breaches of the Financial Regulations to the Chief Finance Officer, who is also responsible for reporting, where appropriate, breaches of the financial regulations to Council and Cabinet. The Council's Disciplinary Policies / Procedures will be used if non-compliance is identified.

Maintenance
The Chief Finance Officer supported by the Chief Audit Executive is responsible for maintaining a continuous review of the financial regulations and supporting Codes of Practice and submitting any additions or changes necessary to the full Council for approval. He / she may issue advice, guidance and procedures to underpin the financial regulations that members, officers and others acting on behalf of the Council are required to follow. Directors must advise the Chief Finance Officer on circumstances that may require the development of supplementary advice and guidance on financial procedures or systems of internal control.

Section 2 - Financial Management Roles & Responsibilities

The Council's Financial Regulations, Budget Management Scheme and the Codes of Practice on Matters of Financial Administration (including Officers' Code of Conduct) are bound separately but form part of the formal Constitution of the Council which is accessible through the Council Website.

Sound financial management is critical to the Council in successfully achieving its plans, objectives and quality standards and is essential in order to:

- plan and maintain effective use of resources to achieve agreed service delivery standards;
- comply with legislation, related professional Codes of Practice and accounting standards;
- provide accurate, complete and valid accounts and information which demonstrate accountability to the public;
- ensure the appropriate use and security of financial and physical assets;
- help the Council conduct its affairs in an efficient, effective and economic manner.

Financial management is, therefore, concerned with the policies, processes, procedures and standards of the Council. Within this context the key areas of responsibility, and associated specific financial regulations, are as follows:

Council Members	Approve Financial Regulations. Set the overall budget framework and monitor performance against agreed targets. Provide the reporting framework to monitor the achievement of Service objectives within the resources allocated. Determine the level of responsibility for financial management given to Services, Chief Officers and Local Managers.

Corporate Audit Committee	The Council has delegated to the Corporate Audit Committee its powers and duties relating to the following matters: A) To approve on behalf of Council its Annual Accounts (and those of the Avon Pension Fund), as prepared in accordance with the statutory requirements and guidance and oversee all Accounting Policies and Statements including the Council's Treasury Management arrangements. B) To approve the External Auditors' Plan and to monitor its delivery and effectiveness during the year. C) To approve the Internal Audit Plan within the budget agreed by Council and to monitor its delivery and effectiveness. D) To consider and approve the Annual Governance Statement as prepared in accordance with statutory requirements and to monitor progress on the significant issues and actions identified. E) To review periodically the Council's Risk Management arrangements, make recommendations and monitor progress. F) To review key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Policy and recommend to Council any necessary amendments. G) To consider the annual Audit & Inspection Letter from the External Auditor and to monitor progress on accepted recommendations. H) To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance. I) To consider and make recommendations of any other matters relating to Corporate Governance which are properly referred to the Committee or which come to its attention. J) To make an annual report to Council on its work.

Chief Executive	Provides strategic management and establishes a framework for management direction, style and standards. Secures a process for resource allocation that ensures due consideration of policy. Monitors the performance of the Council.
Chief Finance Officer	The Director - Finance carries out the statutory role of Chief Finance Officer: (a) The proper administration of the Council's financial affairs and advising on effective internal control. (b) Setting and monitoring compliance with financial management standards. (c) Issuing advice, guidance and procedures to underpin the financial regulations. (d) Determining the accounting procedures and financial records for the Council. (e) Selecting accounting policies and ensuring that they are applied consistently. (f) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management. (g) Preparing the revenue budget, supplementary revenue estimates and capital programme. (h) Establishing Treasury management arrangements. (j) Preparation & consolidation of the Accounts (k) Reporting to the Council on the robustness of the annual budget and the adequacy of reserves. (l) Report to the Council, Cabinet and external auditor if the Council or one of its officers : • has made, or is about to make, a decision which involves incurring unlawful expenditure. • has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council. • is about to make an unlawful entry in the Council's accounts. (m) Advising the Pension Committee on all matters of policy concerned with the administration of the Avon Pension Fund, including the investment management arrangements.
Corporate Directors	Provide strategic management, guidance and overview of budget setting and budget monitoring ensuring that there is due consideration of the Council's agreed policies and strategies.

	Provide strategic challenge and overview of major projects (capital and revenue).
Monitoring Officer	The Director (Legal & Democratic) carries out the statutory role of Monitoring Officer. The Monitoring Officer reports to the Council if a contravention of law, Code of Practice or any maladministration has arisen through any decision or omission by the Council, by any Member, Committee or Officer of the Council.
Directors	Ultimately accountable for all budgets with their area of control and can determine the appropriate level of delegation of responsibilities within those areas of control in accordance with advice and guidance provided by the Chief Finance Officer, Corporate Directors and the Council's auditors. Establish clear accountabilities for all managers that include objectives of and responsibility for systems and information. Ensure all their staff understand and comply with Financial Regulations, Contract Standing Orders, Council policies and procedures and Service specific instructions. Ensure that Service Managers have effective procedures for:- Accomplishment of their objectives; Compliance with rules and regulations; The reliability and integrity of information; Efficient and effective use of resources; and Safeguarding resources. Operate systems/processes to monitor/verify that internal controls are in place and operating effectively. Monitor compliance with these regulations.
Chief Internal Auditor (Chief Audit Executive)	Provide an independent Internal Audit Service which has unfettered access to the Chief Executive and Senior Management and is able to access all relevant records and information within the Authority to carry out its role. Provide independent, objective assurance / advice to management on the operation of internal controls (including financial) to improve an organisation's operations.

	Provide an annual opinion on the framework of internal control and risk management. Investigate on behalf of the organisation any suspected financial irregularities or misuse of resources and ensure that there is a system in place to allow staff, contractors or the public at large to report serious concerns confidentially.
External Audit	Report on whether the Council's accounts and statements present fairly the Council's financial position. Report on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion. Grant Claim certification, where appropriate.
Data Protection Officer	Responsibility for overseeing all arrangements in connection with the management and protection of information, specifically personal data of employees, members, third party providers, customers and users of council services.
All Employees	Have a responsibility for following Financial Regulations and other Council policies & adopted regulations (including Contract Standing Orders, Code of Conduct) and Service specific instructions. Help the Council achieve open and honest administration by supporting approved fraud prevention strategies and avoiding potential conflicts of interest. Assist Directors and Service Managers in operating effective procedures to:- - accomplish objectives; - comply with rules and regulations; - maintain the reliability and integrity of information; - efficiently and effectively use resources: and - safeguard Council resources. Keep accurate and comprehensive records to support the transactions undertaken on the Council's behalf. To provide the necessary assistance to Internal and External Auditors to meet their requirements.

In addition, please refer to:

The Council's Constitution

Section 3 – Internal Audit

Why is this important?

The purpose of this section of is to highlight the authority delegated to the Council's Chief Audit Executive (term used by the Public Sector Internal Audit Standards), when reviewing the accounting and financial arrangements within the Council.

Statutory Requirements:

The Accounts and Audit Regulations 2015, Part 2 (6), require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". These Regulations cover the requirements of Section 151 of the Local Government Act 1972, which states that authorities must "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for administration of those affairs."

The Internal Audit Charter:

The Council's Chief Audit Executive (CAE) must periodically review the Internal Audit Charter and present it to senior management and the Corporate Audit Committee for approval.

The Internal Audit Charter sets out the purpose, authority and principal responsibilities of the Internal Audit Service for Bath and North East Somerset Council and includes the following sections:

1. Internal Audit's Purpose and Mission
2. Internal Audit's Statutory Role
3. Standards of Professional Practice of Internal Auditing
4. Managements Responsibilities for Internal Audit
5. Internal Audits Responsibility and Objectives
6. The Scope of Internal Audit
7. Internal Audit Reporting Lines
8. Internal Audit Independence
9. Internal Audit Fraud Related Work
10. Internal Audit's Right of Access
11. Relationship with External Audit and Other Assurance Providers
12. Quality Assurance and Improvement Plan

It is of particular importance that Council Members and staff understand Internal Audit's "Right of Access."

The Accounts and Audit Regulations 2015 provides that any Officer of the Council must make available such documents of the Council that relate to its' accounts and other records as appear to be necessary for the purpose of the Audit.

The Chief Audit Executive or their authorised representative shall have authority to:-

- Enter at any reasonable time, any operational or administrative Council premises or land and have access to all Council property;
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff;
- Require and receive such explanations as are necessary concerning any matter under examination
- Require any employee of the Council to produce or account for cash, stores, or any other property under their custody or control;
- Examine any work or services carried out for the Council by an employee or contractor, and any goods purchased on behalf of the Council;
- Review, appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect Council resources, property, and assets from loss/waste.

In addition, please refer to:

Internal Audit Service Charter

Section 4 – Risk Management

Why is this important?

Risk management is an integral part of the corporate governance framework for Local Government. This is detailed in the Council's Local Code of Corporate Governance which is reviewed annually and reported in the Council's Annual Governance Statement.

The Council's Risk Management Strategy will help support and underpin the delivery of its Vision & Values.

Objectives of risk management processes:

- Protecting and adding value by supporting the achievement of the Sustainable Community Strategy.
- Improved strategic, operational and financial management.
- Contributing to more efficient use/allocation of resources.
- Mitigation of key threats and taking advantage of key opportunities.
- Protecting and enhancing assets and image.
- Improving decision-making (making the right decisions).
- Safeguarding of tangible and intangible assets.
- Promotion of innovation and change.
- Optimising operational efficiency and therefore delivering efficiency gains and value for money.
- Allocating time and management effort based on formal assessment of threats and opportunities.
- Avoid nasty surprises, shocks, crises and the time taken to 'fire fight' these.
- Improved customer service delivery.

Key Responsibilities for Staff & Members:

1. Council Members gain an understanding and promote risk management and its benefits throughout the Council & its partners, ensuring Members take risk management into consideration when making decisions.
2. Both the Cabinet and Elected Members oversee the effective management of risk throughout the Council and its partnerships, and gain an understanding of its benefits, ensuring officers develop and implement a comprehensive approach to risk management.
3. The Corporate Audit Committee provides independent assurance of the risk management framework and associated control environment, independent scrutiny of the Council and partners financial and non-financial performance, and oversee the financial reporting process.
4. The Council's Senior Management Team are responsible for overseeing and endorsing to Cabinet the Council's risk management strategy, and promoting a culture of risk management and awareness throughout the Council.

5. Each Director's Management Teams gain an understanding and promote the risk management process and its benefits, oversee the implementation of the risk management strategy and agree any inputs and resources required supporting the work corporately.
6. Each Director ensures that the risk management process is promoted, managed and implemented effectively in their service areas within the organisation. Liaising with external agencies to identify and manage risk. Disseminating relevant information to service managers and employees.
7. Service Managers raise awareness, manage and implement the risk management process effectively in their service areas, recommending any necessary training for employees on risk management. Incorporating risk ownership through the appraisal scheme with employees and share relevant information with colleagues in other service areas.
8. All employees of the Council manage risk effectively in their jobs, liaising with their line manager to assess areas of risk in their job. Identify new or changing risks in their job and feed these back to their line manager.
9. The Internal Audit function will challenge the risk management process, including the identification and evaluation of risk and provide assurance to Officers and Members on the effectiveness of controls.
10. The Chief Finance Officer supports the Council and its services in the effective development, implementation and review of the Council's risk management processes. Identify and communicate risk management issues to services, and assist in undertaking risk management activity through training or direct support.

In addition, please refer to:

The Council's Risk Management Strategy

Section 5 – Counter Fraud

Why is this important?

The Council's Counter Fraud Strategy was approved to direct the Council's counter fraud resources on the key areas of fraud risk and bring together the Anti-Fraud and Corruption Policy, the Anti-Money Laundering Policy and Anti-Bribery Policy.

We all have a responsibility for dealing with public funds and assets. The Council controls millions of pounds of public money and we must take very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.

Bath and North East Somerset acknowledges the responsibility it has for the administration of public funds and wishes to emphasise to the public and its staff the importance it places upon probity, financial control and transparency in its administration.

The Council is committed to prevention, detection and investigation of all forms of fraud and corruption.

The Council recognises that fraud and corruption undermine the high standards of public service, which it promotes, and reduces the resources available for the good of the whole community.

Counter Fraud – Key Principles:

Leading by example, our Council will ensure that:

- Everyone within the organisation takes responsibility for the prevention and detection of fraud and corruption.
- There is compliance with key policies and procedures.
- Fraud is not tolerated and that all such cases are thoroughly investigated.
- All officers and Members have access to counter fraud and corruption guidance.
- High standards of internal control are promoted.
- There is a safe environment to report suspected cases of fraud and corruption.
- Rigorous action is taken against anyone found guilty of fraud or corruption. This will be through the Council's disciplinary process and by taking legal action as appropriate.

Key Responsibilities for Members and Staff:

1. Directors and Service Managers are responsible for the prevention and detection of fraud, error and wasteful practices within their Service environment.

2. They must inform the Chief Finance Officer and / or the 'Chief Audit Executive', immediately of any suspected financial irregularity.

3. All Members and Officers must report to the Council's Statutory Officers and the 'Chief Audit Executive' of any circumstances which could involve the Council in a breach of rules and regulations e.g. inappropriate expenditure.

4. All employees have an important part to play in reporting concerns about wrong doing at work by other Officers, Members, suppliers, contractors or others acting on behalf of the Council.

5. In this respect, employees are under a duty to assist with the discharge of these responsibilities in compliance with the Whistleblowing Policy.

6. Abuse of the Whistleblowing Policy by raising malicious, unfounded allegations will be treated as a serious disciplinary matter.

7. In addition, the Council has a legal duty to implement a procedure to enable the reporting of suspicions of money laundering. Accordingly, any Member or employee, who in the course of Council business becomes aware that criminal property or funds could be involved, should report their suspicion promptly, in accordance with the Anti-Money Laundering Policy. Failure to do this may result in a criminal offence being committed.

8. The UK Bribery Act, 2010 introduces a corporate offence of failure to prevent bribery.

   The three key offences which may have an impact on the authority are:
   - Bribery of another person
   - Accepting a bribe
   - Failing to prevent bribery

   The Act states that organisations will be responsible for their employees' corrupt acts unless they can show they had adequate policies and procedures in place to combat bribery.

If any member of Staff or Member has concerns in this area they must report the matter in compliance with the Council's Whistleblowing Policy.

<u>In addition, please refer to:</u>

The Council's Counter Fraud Strategy
The Council's Anti-fraud and Corruption Policy
Whistleblowing Policy
Anti-Money Laundering Policy
Council's Employee's Code of Conduct
Council's General Employment Standards and Rules
Supplier Code of Conduct

Section 6 - Budget Management and Control

Why is this important?

Budgets are needed so that the Council can plan, monitor and control the way resources are allocated and spent. Budgets reflect Council, Service and local priorities and give authority to Local Managers to incur expenditure to meet targets.

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, which manages spending against budget during the financial year. In addition, it provides the mechanism that calls to account managers responsible for defined elements of the budget.

The purpose of the Budget Management Scheme rules

a) To ensure that income and expenditure are in line with the agreed Council budgets and service plans (consistency of purpose),

b) Overall Financial control of Council income and expenditure.

The implications of poor budget management

1. The Council may not be operating within the law;
2. Policies and objectives may not be achieved;
3. Resources may not be used in accordance with agreed authority;
4. Failure to secure value for money (efficient & effective use of resources);
5. Decisions made without the benefit of full or appropriate information;
6. Inability to take appropriate action at the right time.

Key requirements for budget management and control

Section A: Revenue Budgets:

- Budget approval is required for all expenditure.
- The Chief Executive and Corporate Directors have overall responsibility for the delivery of the strategic objectives for the Council and thus have a responsibility for effective performance monitoring of Directors on matters of budget management.
- Directors are fully responsible for Budget Management.
- Each Director will develop and maintain effective arrangements for financial management within his/her Service area.
- Each Director will nominate a Budget Manager for each cost centre heading, as appropriate.
- Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- Budget Managers follow an approved certification process for all expenditure.

- Income and expenditure must be properly recorded and accounted for by all Budget Managers. This is achieved by ensuring the accurate use of accounting codes and timely monitoring of financial information.
- Budget Managers are responsible for maintaining a current forecast of their budget and communicating this to their Finance Team. Where a Variance, the difference between forecast and budget, is recurrent this should be identified for future correction.
- Services are to be managed within their budgets using financial forecasting, virement and carry forward, as appropriate.
- Expenditure is committed only against an approved budget head.
- Any virement which has the effect of changing a policy contained in the Policy Framework must be approved by the Council.
- All virements must be reported to the Cabinet on a quarterly basis.
- Any proposed use of general balances, in excess of limits set by the Budget Management Scheme, must be recommended by the Cabinet and/or approved by the Council.
- Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of Council.
- Informal Cabinet and Senior Management Team will receive monthly finance dashboard reports which monitor key financial risks.
- The Cabinet will receive budget monitoring reports (including capital monitoring) at its public meetings, normally four times a year
- The Cabinet is required to approve the outturn position following the financial year end.

Section B: Capital Budgets:

- Directors are responsible for budget management of all capital schemes (including major and other projects) within their service area, all capital schemes must have a designated responsible Budget Manager who may or may not be a Director.
- Before any scheme is included in any programme, budget management responsibility must be assigned.
- The Capital Programme is agreed by Council (including Full and Provisional Schemes).
- Directors are delegated to approve the movement of Provisional Schemes to Full Approval provided a business case can demonstrate that the scheme is fully funded (both Capital and Revenue) in accordance with the Budget Management Scheme.
- The Project Management Handbook sets out the process for managing a project of any type or value, along with roles and responsibilities of all parties involved and provides the necessary templates and guidance to manage a project through to completion.
- With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Director is responsible for making proposals for the avoidance or recovery of any overspending to the Chief Finance Officer in the first instance.

- Capital schemes must have a review and reporting process. For example, Directors Reviews will receive reports of progress in order to focus on the key issues and project spend, and associated funding and revenue implications.
- Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved
- Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their Service areas.

<u>In addition, please refer to:</u>

The Budget Management Scheme

Section 7 – Revenue Budget Preparation

Why is this important?

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The annual Revenue and Capital budgets are the financial expression of the Council's plans and policies.

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit. All key decisions on revenue expenditure must be made by Cabinet Members.

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around how virements / journals operate, the operation of cash limits, and sets the level at which funds may be reallocated within budgets.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer or designated Finance Manager. Directors must present a balanced budget and plan to contain the financial implications of such proposals within their cash limit.

Key Responsibilities for Members and Staff:

1. Specific budget approval is required for all expenditure.
2. Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by their Director for their budgets and the level of service to be delivered. Key savings and developments are included in service delivery plans (for subsequent monitoring) and individual employee's Performance Development Review.
3. Preparation of the budget complies with all legal requirements.
4. The format complies with the requirements of the Chief Finance Officer and, where necessary, has regard to relevant accounting standards.
5. The format reflects the accountabilities of service delivery
6. The Chief Finance Officer will:
   (a) Advise the Cabinet and Council on the format and timing of the budget to be approved by the full Council.
   (b) Prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.

(c) Determine the detailed form of revenue budgets and the guidelines for their preparation, after consultation with the Cabinet, Chief Executive, and Corporate Directors.
(d) Prepare and submit reports to the Cabinet on the aggregate spending plans of directorates and on the resources available to fund them, identifying, the implications for the level of Council Tax to be levied.
(e) Advise on the medium-term implications of spending decisions.
(f) Encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

7. **Directors will:**
   (a) Prepare draft budgets of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.
   (b) Prepare draft budgets that are timely, balanced and consistent with any relevant cash limits, and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer, in consultation with the Cabinet.
   (c) Integrate financial and budget plans into service planning, so that budget plans are reflected, where appropriate, by financial and non-financial performance measures.
   (d) In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, prepare detailed draft revenue and capital budgets for consideration by the appropriate Cabinet Member.
   (e) When drawing up draft budget requirements, Directors will have regard to:
      - spending patterns and pressures revealed through the budget monitoring process
      - targets for growth/reduction set out in the medium term financial plan
      - fall out of external funding
      - legal requirements
      - other policy requirements as defined by the full Council in the approved policy framework
      - initiatives already under way
      - the Council’s commissioning intentions and contractual commitments on the Council’s Contract Register.

<u>In addition, please refer to:</u>

The Budget Management Scheme
Medium Term Financial Strategy
B&NES Council Operational Plan
The Councils’ Commissioning Intentions and Contract Register

Section 8 – Capital Expenditure

Why is this important?

1. Capital expenditure involves acquisition or enhancement of fixed assets which have a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure must comply with the Council's Contract Standing Orders.
2. The Local Government Act 2000, requires local authorities to determine expenditure limits above which such expenditure would be a key decision. All key decisions on capital expenditure must be taken by Cabinet Members.
3. The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key Responsibilities for Members and Staff:

1. The Chief Finance Officer will bring together Portfolio estimates for capital schemes and to report them to the Cabinet for approval or prioritisation within existing resources. Council approval is required where a Director proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.
2. The Chief Finance Officer will submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
3. The Chief Finance Officer will issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Chief Finance Officer having regard to government regulations and accounting requirements.
4. The Chief Finance Officer will obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the specified amount.
5. Directors must comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer, including ensuring that all capital proposals have undergone a full project appraisal, through the submission and approval of a Project Initiation Document.
6. Directors must prepare regular reports reviewing the capital programme provisions for their Services. They must prepare at least quarterly returns of estimated final costs of those schemes in the approved capital programme for submission to the Cabinet and to the Chief Finance Officer.
7. Directors must ensure that full records are maintained for all capital schemes
8. Directors must proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer.

9. Directors must consult with the Chief Finance Officer, and to obtain authorisation from the relevant Cabinet Member, prior to the implementation of key decisions as part of the capital programme.
10. Directors must prepare and submit reports to the Cabinet Member, of any variation in contract costs greater than the approved limits. The Cabinet Member must meet cost increases by virement from savings elsewhere within their overall capital programme.
11. Directors must prepare and submit reports to the Cabinet Member, on completion of all projects where the final expenditure exceeds the approved budget by more than an agreed amount.
12. Directors must ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
13. Directors must consult with the Chief Finance Officer and to seek appropriate approval (Council / Cabinet) where the Director proposes to bid for capital financing to support expenditure that has not been included in the current year's capital programme.
14. Directors in service areas which generate VAT exempt income must liaise with the Council's Chief Finance Officer at the earliest opportunity, to ensure impact on partial exemption is properly managed.

In addition, please refer to:

The Budget Management Scheme
Medium Term Financial Plan
B&NES Council Operational Plans

Section 9 - Treasury Management - Investments & Borrowing

Why is this important?

Significant sums pass through the Council's accounts each year which need to be securely managed and controlled to maximise the Council's income. This is done in accordance with codes of practice that have been established with the aim of providing assurance that the Council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Council's funds.

Key Responsibilities of Staff & Members:

1. **The Chief Finance Officer will**:
   - Prepare the Council's Treasury Management Policy Statement and Strategy in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities and to arrange for all Council borrowing and investment in such a manner as to comply with this Statement/Strategy.
   - Ensure that all investments of money are made in the name of the Council or in the name of nominees approved by the full Council.
   - Ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate Director.
   - Authorise all borrowings in the name of the Council.
   - Act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.
   - Report to the Council, as requested, on Treasury Management activities.

2. **Directors will**:
   - Ensure that loans are not made to, and that interests are not acquired in, companies, joint ventures or other enterprises without the approval of the full Council, following consultation with the Chief Finance Officer.

In addition, please refer to:

Code of Practice No.1 – Investments & Borrowing
Treasury Management Strategy
Treasury Management Policy Statement

Section 10 – Accounting Systems and Processes

<u>Why is this important?</u>

It is important to ensure that the Council maintains effective & efficient systems of accounting and financial control are in place in order that its assets and interests are effectively safeguarded against loss. It is important that all stakeholders have confidence in the integrity of the Council's financial administration.

<u>Objectives of Accounting Systems and processes:</u>

- To ensure that a true and complete record of all Council transactions is maintained.
- To ensure that the Council complies with legislation / regulations.

<u>Implications if above objectives are not achieved:</u>

1. The Council may not operate within the law;
2. Incorrect management information, leading to poor decision making;
3. Financial loss;
4. Reputational loss, e.g. through publication of a critical Auditors report;

<u>Key Responsibilities for Staff & Members:</u>

1. The Chief Finance Officer will be responsible for maintaining the Council's accounts and for the approval of all accounting records and financial systems.

2. All Directors must ensure that responsibility for the preparation and processing of accounting information e.g. coding of income and expenditure is assigned to specified officers, transactions are authorised / approved by responsible officers and an audit trail is maintained.

3. Capital expenditure must be accounted for separately from revenue expenditure and must, therefore, be coded to the appropriate capital expenditure code.

4. The Chief Finance Officer will be responsible for producing the timetable and standards for the production of final accounts each year.

5. The Chief Finance Officer shall agree all borrowing and lending arrangements and these shall operate in accordance with the Council's Treasury Management Policy Statement and the appropriate accounting bodies' Codes of Practice. All investments, borrowing, leasing and other capital financing arrangements shall be effected in the name of the Council.

6. The Council’s Property Services team, shall hold all securities that are the property of or are in the name of the Council or its nominees and the title deeds of all properties in its ownership, in safe custody.

7. The Chief Finance Officer will:

   - Ensure that the Council does not enter into leasing contracts which compromise the Council's spending limits set with regard to its Prudential Indicators.
   - Provide financial expertise and advice on leasing arrangements and contracts.
   - Ensure that best value is achieved in leasing contracts, including aggregation of the Council's leasing requirement where appropriate.

   All Directors must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.

8. All Trust Funds shall, wherever possible, be in the name of the Council and all officers acting as trustees by virtue of their official position shall deposit all securities and other documentation relating to the Trust Fund with the Chief Finance Officer.

9. The Chief Finance Officer will ensure that clear instructions are issued to all relevant members of staff on key processes, including:
   - Control Accounts
   - Coding Protocols
   - Cash Flow Management
   - Capital Grants
   - Capital Expenditure
   - Capital Charges
   - Balance Sheet Balances
   - BACS Payments
   - Accounting statements
   - Monthly Accruals
   - Year End Accruals
   - Interfaces with the Financial Management System
   - Suspense Accounts

<u>**In addition, please refer to:**</u>

Budget Management Scheme
All Codes of Practice

Section 11 - Payroll

Why is this important?

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only to the right people and that payments accord with individuals' conditions of employment.

It is important that all payments are accurately and completely recorded and accounted for, as this ensures accurate information for budget holders.

Income Tax and National Insurance contributions to HM Revenue & Customs must be complete and accurate. Individuals defined as employees must be paid through the Council's Payroll System.

Objectives of payroll processing:

- Payments are only made to those entitled to payments, (i.e. employees or pensioners) at the correct rate and time.
- All payments and associated deductions are properly accounted for.
- Processes are in place to meet Corporate and Service needs for accurate and timely management information regarding payroll costs.

Implications if above objectives are not achieved:

1. Payments are made:
   - for work not undertaken,
   - to a person not entitled,
   - at the wrong rate,
   - that contravene employment legislation,
   - leading to potential financial loss;
2. Adverse publicity because of failure to pay efficiently and effectively;
3. Untimely and inaccurate information to budget holders;
4. The Council being penalised by the HM Revenue & Customs for failure to account for statutory deductions, e.g. Income Tax and National Insurance contributions.

Key Responsibilities for Staff & Members:

1. The payment of salaries, wages, allowances, pensions and other emoluments must be made under arrangements approved and controlled by the Chief Finance Officer.
2. Directors are responsible for providing the Payroll Service with the details of those Officers (4th tier Officers and above), in that Service area, that can authorise payroll documents / transactions.
3. All salary and wages notifications must be properly authorised and in accordance with the employment contract.

4. All travelling, subsistence and other allowances (including staff Professional Subscriptions), for both staff and Members, must be paid through the Council’s Payroll system.
5. The use of Petty Cash Account or other non-PAYE payment systems are not permitted under any circumstances, for the payment of salaries, wages, travelling and subsistence expenses.
6. No payments should be made to Self Employed Individuals without an assessment of that individual’s employment status first being made in line with the HM Revenue & Customs criteria (see section 12).
7. Each Director is responsible for ensuring that the person engaging someone to perform a task determines their employment status and whether they should be paid via payroll (see section 12).
8. All Payroll documents / forms submitted must be the latest approved version.
9. Appropriate budget provision must be available.
10. Salary payments are made in accordance with employment law.
11. Statutory deductions are made in accordance with regulations and properly paid over to appropriate bodies.
12. Other non-statutory deductions, e.g. Union subscriptions, are made in accordance with authorised requests.
13. Pension enhancements are awarded in accordance with approved policies.
14. All payments made are properly recorded and correctly charged to the appropriate expenditure codes and management information issued in a timely manner.
15. Members of staff who owe debts to the Council will have these debts deducted promptly from salary.
16. It is the responsibility of all Council Members and members of staff to immediately contact both their Manager and the Payroll administrators when they discover that any overpayment of salary, wage or allowance has occurred.

    Failure to do this knowingly will be regarded as theft, under the law, and will be the subject of disciplinary action by the Council against the Member or officer concerned

<u>In addition, please refer to:</u>

Code of Practice No.3 – Payroll
Code of Practice No.4 – Employment Status
HR Policies & Procedures

Section 12 – Ordering and Paying for Works, Goods & Services

Why is this important?

The Council must be able to demonstrate probity and value for money in spending public money, in accordance with its Procurement Strategy and Contract Standing Orders.

All Council Members and employees of the Council have a responsibility for spending public funds wisely and ensuring that all payments are valid, legal and represent the best use of resources.

Objectives of order and payment processes:

- To secure value for money by obtaining the best price for the quality of works, goods and services required.
- The Council only pays bona-fide organisations or individuals the correct amount at the appropriate time in line with appropriate contractual terms and conditions
- The Council properly accounts for works goods & services ordered and payments due or made.
- The Council complies with legislation covering VAT, payments to Sub-Contractors and other taxable payments
- The Council undertakes appropriate IR35 employment status checks in line with HM Revenue & Customs requirements

Implications if above objectives are not achieved:

1. Council pays more than necessary for goods or services.
2. Payments are made for goods / services not required or not received.
3. Duplicate payments are made.
4. Council fails to pay for goods or services in a timely basis resulting in adverse publicity, loss of goodwill.
5. Incorrect recovery of VAT leading to assessments and penalties from HM Revenue & Customs or loss of recoverable VAT.
6. Incurring HM Revenue & Customs penalties for failing to assess employment status appropriately.
7. Inaccurate and untimely information provided to budget holders.

Placing Official Orders:

1. Officers **must** only use Council monies for the purchase of works, goods & services which are for the express use of the Council. Elected Members, employees or others engaged with the Council **must not** use the Council's ordering or payments systems for personal use or benefit.

2. Members, Officers and individuals engaged to work for the Council **must** declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with these Financial Regulations (Section 20) and the relevant Council's Code of Conduct.

3. Officers **must** issue Official Orders for all goods and services unless there is a specific exemption agreed with the Chief Finance Officer.

4. Directors **must** designate specific employees who are authorised to place orders on their behalf and operate procedures which secure value for money. The procedures **must** be properly recorded, communicated to staff and continuously monitored.

5. All Official Orders **must** (unless specifically exempted) be raised through the Council's Financial Management System.

6. There may be occasions, in cases of emergency only, when a verbal order is placed. These must be the exception rather than the rule and **must** always be confirmed by the issue of an Official Order.

7. Before placing orders for goods and services the budget holder responsible **must** ensure that there is sufficient budget available.

8. All orders placed **must** comply with the Council's Contract Standing Orders, which provides guidance on obtaining alternative prices, seeking value for money and complying with National and European requirements.

Receiving Goods & Services:

9. When receiving works, goods or services, the budget holder is responsible for ensuring that timely checks are made to ensure that:
   - The works goods or services are in accordance with the order placed,
   - Any faults or deficiencies are reported to the contractor/supplier and remedial action taken,
   - Where necessary, inventories or stock records have been updated,
   - Goods delivered are placed in the safe custody of their authorised recipient.

Making Payments:

10. All payments on behalf of the Council will be made with the authority of the Chief Finance Officer.

11. Payments **must not** be made unless the works, goods and/or services have been received by the Council to the correct price, quantity and quality

standards, and that an invoice for the same works, goods and/or services has not been previously passed for payment.

12. Directors **must** designate specific employees who are authorised to approve invoices for payment on their behalf.

13. There must be a separation of duties between the Officer raising the Purchase Requisition and the Officer authorising the Requisition to enable a Purchase Order to be generated. This is important because invoices linked to an Official Purchase Order will be processed and paid without any further authorisation. If for reasons of efficiency a Director enables an Officer to both generate and approve a Purchase Requisition then that Director must ensure that the expenditure is scrutinised by another Officer within a reasonable period of time, this could be linked to the 'goods / services received' recording system.

14. All Directors **must** ensure adherence to all instructions issued by the Chief Finance Officer in respect of year-end accounting arrangements.

15. Payments to employees of salaries, wages, and travel & subsistence expenses **must** be made through the Payroll system and not via any other payment system.

16. Where appropriate Corporate Purchasing Cards or Pre-Paid Cards may be used to make payments (see Section 21) in line with the Councils' policy and terms and conditions for their use.

17. Officers must ensure that appropriate VAT documentation is obtained from the contractor / supplier to ensure that VAT is correctly accounted for and that the Council can maximise recovery of recoverable VAT.

18. The Council must comply with the requirements of the Construction Industry Scheme when paying construction industry subcontractors, as described in Code of Practice No.7.

Making Payments through Petty Cash Accounts / Client Cash Floats:

19. All payments through Petty Cash Accounts / Client Cash Floats must be made in accordance with guidelines set down in the Code of Practice No.2.

20. The Chief Finance Officer will authorise the use of a Petty Cash / Client Cash Floats or change float.

21. The Service operating the Petty Cash Account / Client Cash Float must arrange for a nominated Responsible Officer to keep and maintain the account. The name of the Responsible Officer and the purpose of the account must be notified to the Chief Finance Officer.

22. Responsible officers must maintain records and operate the account in accordance with the Petty Cash Accounts / Client Cash Floats Code of Practice.

23. Receipts, vouchers and invoices must be retained to substantiate every transaction.

24. Personal loans must never be given or personal cheques cashed from the Petty Cash Account / Client Cash Float.

25. Wherever possible VAT should be identified on payments made, so that the Council can recover the VAT. VAT may only be claimed where the Council has a valid VAT invoice bearing the VAT registration number of the supplier. For further details on whether VAT should be claimed please refer to the VAT guidelines.

<u>In addition, please refer to:</u>

Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats
Code of Practice No.5 – Ordering of Goods & Services
Code of Practice No.6 – Payment of Accounts
Code of Practice No.7 – Construction Industry Scheme
Council Contract Standing Orders
VAT Guidance

Section 13 – Income Collection and Writing Off of Bad Debts

Why is this important?

Income can be vulnerable to loss. Effective income collection systems are necessary to ensure that all income due is properly identified, collected, receipted, banked, and brought to account.

Objectives of income processes:

- To ensure that all sources of income that may be due to the Council are identified, claimed and collected at the right time.
- All payments received are accepted, recorded, reconciled and banked promptly and correctly.
- Local Managers and employees have a clear understanding of their responsibilities regarding the identification, collection, banking and reconciliation of income due to the Council.

Implications if above objectives are not achieved:

1. Income being lost to the Council;
2. Resources may be wasted by the failure to collect income quickly and economically;
3. Adverse publicity caused by the failure to collect income efficiently and effectively;
4. Theft, misappropriation or loss of income;
5. High levels of bad debt leading to a large number of write-offs.
6. Failure to deal with VAT correctly results in assessments and penalties from HM Revenue & Customs or a loss of income to the Council

Key Responsibilities for Staff & Members:

1. All arrangements for the collection, accounting and banking of income due to the Council must be subject to the approval of the Chief Finance Officer.

2. The appropriate Director will be directly responsible for the safe custody, recording, control, issue and use of official receipting systems, receipt books, tickets, account books and other income documentation in their specific Service area.

3. Responsibility for income collection must be separated from the person raising the debtor account on the accounting system.

4. Only payment or write-off shall discharge all sums due to the Council.

5. All refunds of overpayments must be made through the Council's Creditors system and NOT out of income. To help prevent money laundering activity

refunds must always be paid back to the same bank account as the original payment. Any large cash payments to be refunded must be considered in terms of potential money laundering prior to authorisation of the refund amount.

6. Individuals must not borrow Council monies. Borrowing monies includes holding or banking personal cheques in exchange for Council cash.

6. All amounts written-off will be subject to robust scrutiny and review before being authorised by the Chief Finance Officer and the Monitoring Officer (or their nominated representatives). All debts over £20,000 will require consultation with the Cabinet Member - Finance and Efficiency in accordance with the Council's Code of Practice.

8. Sums due to the Council as debts from members of staff shall be deducted promptly from salary. Directors will ensure that all debts due are recovered promptly and any outstanding balances due, at the time of cessation of employment, are deducted from employee's final salary or any other monies due to that employee.

9. VAT is charged where appropriate, in accordance with the HM Revenue & Customs regulations. Where an individual Service makes a new type of charge for any reason they must consult the Council's VAT Analyst before setting prices.

10. Directors must ensure that all members of staff, within their Service, responsible for the collection and reconciliation of income, comply with the requirements of the Council's Anti-Money Laundering Policy.

<u>In addition, please refer to:</u>

Code of Practice No.8 – Income Collection
Council's Anti-Money Laundering Policy
VAT Guidance

Section 14 – Bank Accounts, Banking and Cash Handling

Why is this important?

Local Managers and employees need to have a clear understanding of their responsibilities regarding the setting up and use of Council Bank Accounts, banking processes and cash handling. Most bank accounts are held and managed centrally. However, there will be Local Managers who are responsible for voluntary funds, petty cash accounts and other bank accounts.

Objectives of Banking & Cash Handling processes:

- To ensure that all income and expenditure is transacted through authorised bank accounts.
- To ensure that all money is held securely.
- To ensure monies are banked in an authorised bank account in a timely manner and accurately recorded.
- To ensure all transactions are bone fide, accurate and within predetermined limits.

Implications if above objectives are not achieved:

1. Theft or loss;
2. Staff and premises vulnerable to attack;
3. Resources wasted due to poor cash flow management;
4. Inability to prove that deposits have been made into the bank account or that payments have been made by debtors;
5. Damage to the Council's reputation through adverse publicity;
6 Failure to deal with VAT correctly results in assessments and penalties from HM Revenues & Customs or a loss of income to the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer will be responsible for making such arrangements as are appropriate and necessary with the Council's Bankers relating to all financial transactions.

2. The Chief Finance Officer will ensure that proper arrangements are made for the secure printing, secure retention and issue of cheques.

3. All bank accounts must be opened and closed by the Chief Finance Officer. Any subsidiary Bank Accounts can only be opened with the express authority of the Chief Finance Officer, who will provide specific instructions on the control and use of such accounts.

4. Any overdraft on the aggregated Council's main bank accounts is permitted only to the extent authorised by the Chief Finance Officer. Overdrafts are not permitted on any other bank accounts.

5. The Chief Finance Officer will make available written guidance on the processes to be followed to transfer monies electronically (CHAPS / BACS).

6. The Chief Finance Officer will specify arrangements for the collection and banking of all income due to the Council, and to approve the procedures, systems and documentation for its collection, security and banking.

7. All money received by an employee, on behalf of the Council, must be properly recorded and paid without delay into the Council's bank account.

8. Where third parties are contracted to bank income on behalf of the Council, the Chief Finance Officer will specify and agree the contract arrangements, prior to entering into any such contract.

9. The Chief Finance Officer shall ensure that the reconciliation of all bank accounts held by the Council is undertaken at regular intervals to ensure the prompt investigation of discrepancies.

10. All keys to safes and similar receptacles must be carried by the person responsible at all times; loss of such keys must be reported, without delay, to the Chief Finance Officer (Internal Audit Function).

11. The Chief Finance Officer will authorise the use of a petty cash account or change float.

<u>In addition, please refer to:</u>

Code of Practice No.2 – Petty Cash Accounts / Client Cash Floats
Code of Practice No.9 – Bank Accounts, Banking & Cash Handling

Section 15 – Asset Management

Why is this important?

The Council holds fixed and moveable assets in the form of land, buildings, plant and machinery, vehicles, equipment, software, and other items with significant value. It is important that all assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations.

An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management. Inventories of moveable items are particularly important in connection with potential insurance claims.

Objective of asset management:

- To ensure that assets are used to achieve the approved policies and objectives of the Council with the minimum level of waste, inefficiency or loss for other reasons.

Implications if above objective is not achieved:

1. Money may be wasted by acquiring inappropriate assets;
2. Assets may be used inefficiently;
3. Loss or damage;
4. Money may be wasted by maintaining obsolete or unnecessary assets;
5. Income may be lost by not achieving best terms for disposal of assets.

Key Responsibilities for Staff & Members:

1. Every Director shall be responsible for the custody of all buildings, equipment, stocks, stores, vehicles, furniture and cash used within their Service environment and for their general security.

2. Official inventories and stores records shall be kept under arrangements approved by the Chief Finance Officer, and all desirable and portable property shall be securely marked "Property of Bath & North East Somerset Council".

3. It is the responsibility of Directors and Service Managers to maintain a register of assets (official inventories)

4. Items recorded in official inventories must subject to a regular independent physical check (at least annually). All discrepancies should be investigated and pursued to a satisfactory conclusion. Any discrepancies not resolved must be reported to the appropriate Director and Internal Audit.

5. The Chief Finance Officer and Chief Audit Executive (or their authorised representative) has the right of access to all Council establishments, to verify stores, records or accounts.

6. Directors should ensure that stocks and stores are not carried in excess of economic requirements.

7. All ‘moveable’ property will only be disposed of in accordance with the Council’s Stocks and Stores and Inventories Codes of Practice.

8. Directors shall inform the Chief Finance Officer of all relevant details, including financial implications, relating to the purchase, lease, holding or sale of assets held on the Council’s behalf. In particular, the Head of Property will use Valuation Schedules for property assets to enable annual verification of the value of these Council assets.

9. All Directors responsible for the private property of a person under their guardianship or supervision shall arrange for an inventory / record of items / amounts held and ensure the safe custody of this property.

10. All Council assets must be used solely for official Council business. Council assets must not be used for personal use.

11. Where any irregularity is suspected in the custody or use of a Council asset, the matter must be treated as a financial irregularity and reported immediately to the appropriate Director and Internal Audit function.

In addition, please refer to:

Code of Practice No.10 – Stocks and Stores
Code of Practice No.11 – Inventories
Corporate Asset Management Plan

Section 16 – Asset Leasing

Why is this important?

The Council has freedoms to pursue various capital and revenue options for the funding of asset acquisitions. It is therefore important to ensure the most cost effective form of funding is sourced for each acquisition. This may or may not be leasing, but where leasing is pursued the reporting requirement must be carefully considered.

Objectives of controlling Asset Leases:

- To ensure terms and conditions of leases are appropriate.
- To ensure the lease is correctly recorded in the Council's accounts.

Implications if above objectives are not achieved:

1. The cost of leasing the asset is greater than alternative finance options.
2. The Council's accounts are incorrectly stated.

Key Responsibilities for Staff & Members:

1. Every Director must refer all proposed leasing arrangements, within their Services, to the Chief Finance Officer.
2. Approval must be obtained from the Chief Finance Officer for all asset leases.

In addition, please refer to:

All Codes of Practice

Section 17 – Insurance

Why is this important?

All organisations, whether private or public sector, face risks to people, property and continued operations. Insurance, either through external providers or through the Council's own fund, form a vital part of the management of these risks.

Objectives of Insurance:

- To ensure that risks exceeding acceptable levels are determined and adequately insured against where appropriate.
- Material risks are monitored on an ongoing basis, and the level of insurance cover (external or internal) adjusted accordingly.

Implications if above objectives are not achieved:

1. The Council maintains insufficient risk reserves or insurance policies to cover the potential financial costs of replacement.
2. Claims are not processed efficiently or effectively.
3. Adverse publicity for the Council.

Key Responsibilities for Staff & Members:

1. The Chief Finance Officer shall be responsible for:

    a) Effecting appropriate insurance cover and maintaining the relevant administrative systems.
    b) To manage the Council's internal funding, including prescribing how claims on the Council's Insurance Fund should be made.
    c) To negotiate all claims in consultation with the Insurers, Legal Services and other officers, as necessary.
    d) To include all appropriate employees of the authority in a suitable fidelity guarantee insurance, and provide adequate public liability, and employer's liability cover.
    e) To offer insurance cover to schools in accordance with the Scheme of Delegation.
    f) To periodically undertake a general revaluation of Council buildings and effect appropriate changes to the corresponding insurance cover following revaluation.
    g) To identify claims trends and implement appropriate risk management measures.

2. Directors shall notify the Chief Finance Officer (or their Insurance representative) promptly on any matters affecting insurance cover, including all new risks and amendments to existing risks.

3. Directors shall notify the Chief Finance Officer (or their Insurance representative) immediately, in writing, of any accident, loss, liability or damage or any event likely to lead to a claim on or by the Council whether covered by insurance or not. An admission of liability or blame should not be made either verbally or in writing.

4. Directors shall take all reasonable measures to reduce risk and liability within their Service areas. In addition, they shall ensure that work for external organisations is appropriately covered by professional indemnity insurance.

5. Members and Officers of the Council who intend to travel abroad on official business must ensure that the necessary insurance cover has been arranged.

In addition, please refer to:

Code of Practice No.12 – Insurance
Code of Practice No.13 – International Travel

Section 18 – Value Added Tax (VAT)

Why is this important?

The purpose of this section of the regulations is to ensure that service managers and employees have a clear understanding of their responsibilities regarding VAT.

Like all organisations, the Council is responsible for ensuring that its VAT affairs are managed efficiently and in accordance with legislation. Tax issues are often very complex and the penalties for incorrect accounting for VAT can be severe. It is therefore very important that all officers are aware of their role so that the Council adheres to current VAT law and best practice.

In particular the Council can only recover VAT incurred on 'VAT-exempt' business activities if the total falls below its 'partial exemption' limit. Detailed planning is required to ensure that the Council can continue to recover this VAT, on both new schemes and existing expenditure.

Objectives of taxation control processes:

To ensure that the Council only pays the correct amount of VAT and accounts for it in accordance with statutory requirements:

- budget managers are provided with relevant information and kept up to date on VAT issues
- budget managers are instructed on required record keeping
- all taxable charges and payments are identified, properly carried out and accounted for within stipulated timescales
- records are maintained in accordance with Council instructions and subject to internal checks
- accurate returns are made to the appropriate authorities within the stipulated timescale.

Implications if above objectives are not achieved:

1. Unnecessary payment of taxes or under-recovery of tax due, leading to wasted resources;
2. Failure to identify taxable income and pay over the tax due, leading to possible assessments, interest and penalties, as well as considerable extra work;
3. Incorrect or duplicate recovery of VAT paid to suppliers, again leading to additional costs and work;
4. Inadequate planning or lack of consultation leads to poor decisions, resulting in errors or a loss of income;
5. Failure to consult early on expenditure related to VAT-exempt income adding to the risk of the Council breaching its 'partial exemption' limit which could result in a significant cost.

Key Responsibilities:

1. **The Chief Finance Officer will:**
    - Maintain up to date guidance about VAT for Council employees on the intranet, and provide updates and advice to staff.
    - Respond to all queries from Services, seeking external advice if necessary.
    - Make checks of VAT charged to customers and to be reclaimed, then ensure completion of a monthly return of VAT inputs and outputs to Her Majesty's Revenue & Customs (HM Revenue & Customs).
    - Deal with all visits and correspondence from HM Revenue & Customs.
    - Ensure that the VAT incurred in relation to ‘exempt’ business income is not at risk of exceeding the partial exemption limit in any financial year, and undertake the annual calculation after the year end.

2. **Directors will have responsibility:**
    - To ensure that staff are trained to deal with VAT correctly
    - To ensure that the correct VAT is paid from income due to the Council, and that VAT on purchases is recovered in line with HM Revenue & Customs regulations.
    - To follow the instructions on taxation issued by the Chief Finance Officer on the Council’s VAT intranet site and in other documents.
    - To check the VAT status of any new income source with the Chief Finance Officer or their nominated officer.
    - To ensure that all new schemes, in particular involving capital expenditure or changes to current arrangements, that in service areas which involve VAT-exempt income, are notified to the Council’s Chief Finance Officer or their nominated officer at the earliest opportunity.
    - To liaise with the Council’s Chief Finance Officer or their nominated officer if there is any type of query concerning VAT or if it is believed that an error may have occurred.

In addition, please refer to:

VAT Guidance

Section 19 - Information Systems Management

Why is this important?

Information is a key business enabler and Services are heavily reliant on information and information systems (electronic or manual) to deliver services and manage business processes. As such, reliable and well managed information systems are an essential element of service provision.

The purpose of this section of Financial Regulations is to ensure that users of the Council's information and information systems are aware of their role and responsibilities relating to the processing, handling and storage of information.

In addition it is to highlight the authority delegated to the Council's Data Protection Officer (term used by Data Protection Act 2018) when reviewing the information management arrangements within the Council

Objectives and Risks

The principle objectives of good information systems management is to ensure that:

- All information systems conform to Council policies and standards;
- Systems are reliable and well managed, information is secured and protected and that confidentiality, integrity and availability are maintained;
- Systems are procured, developed, implemented and maintained to ensure that maximum benefit is obtained by using them to their full potential; and
- Contingency plans are developed and maintained so that loss and service delivery disruption is minimised in the event of disaster occurring.

The Council's information and information systems are important business assets and as such need to be appropriately managed to ensure that customer satisfaction, competitive edge, financial viability, legal compliance and reputation are maintained.

Information and information systems are faced with risks and threats from a range of sources, including various forms of cyber attacks, technology-assisted fraud, espionage, sabotage, vandalism and environmental disasters such as fire and flood.

In order to mitigate these risks the Council has identified the following factors as critical to the successful implementation of good information systems management.

1. **Information Management Policies**

   The Council's Statutory Data Protection Officer shall ensure that appropriate policies and procedures are in place to set clear direction in line with business objectives and demonstrate support for, and commitment to, information management standards throughout the Council.

The Council’s principle objectives in good information management are outlined in the Information Security Policy and Electronic Communications - Acceptable Use Policy & Guidelines.

2. **Organisational Security**

The Council’s Data Protection Officer shall ensure that a management framework is established to initiate and control the implementation of good information management throughout the Council.

Information management is a business responsibility shared by all information users, therefore all managers and users have a role and responsibility for adopting good practice, processing information in a secure and efficient manner and complying with Council Policies and standards.

3. **Asset Control**

Owners should be identified for all assets, hardware, software and information, and the responsibility for the maintenance of appropriate controls should be assigned. The implementation of specific controls may be delegated by the owner as appropriate but the owner remains responsible for the proper protection of these assets.

Information is an asset and to ensure that information receives an appropriate level of protection it should be classified to indicate the need, priorities, and expected degree of protection. The Council’s information classification scheme should be used to define an appropriate set of protection levels and communicate the need for special handling measures.

4. **Records Management**

Records Retention - System owners are responsible for ensuring that all records are kept for the minimum amount of time as detailed in the Council’s Records Retention Schedules.

Records Disposal - All hardware, software and records, (both electronic and hardcopy), that are obsolete or have reached the end of their lifecycle should be securely destroyed in accordance with the Council’s disposal policies.

5. **Personnel Security**

The Head of Human Resources shall ensure that the terms and conditions of employment provide assurance that employees, contractors and third party users understand their responsibilities.

All employees of the Council and, where relevant, contractors and third party users should receive appropriate training and regular updates in Council policies and procedures. Third party users are required under the Application Hosting Policy to sign an agreement in relation to their responsibilities.

6. **Physical and Environmental Security**

To prevent unauthorised access, damage, or interference to Council premises, equipment and information processing facilities the Council's Data Protection Officer is to ensure that procedures are implemented that ensure:

- all critical and/or sensitive information processing facilities and equipment are housed in secure areas;
- buildings are protected by defined security perimeters, with appropriate security barriers and entry controls; and
- precautions are taken to ensure that access to all PCs, laptops and any other IT devices are restricted at all times to authorised personnel.

7. **Information Processing**

The Council's Data Protection Officer, Chief Finance Officer and Head of Digital & Customer Services are to ensure that responsibilities & procedures for the management and operation of all information processing facilities are established. Segregation of duties should be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse.

8. **Access Control**

Access to information, information processing facilities, and business processes should be controlled on the basis of business and security requirements. Access control rules should take account of the Council's policies for information dissemination and authorisation.

9. **System Procurement, Development and Maintenance**

Information management requirements should be identified and agreed prior to the any procurement, development and/or implementation of information systems. All information management requirements should be identified at the requirements phase of a project, justified, agreed, and documented as part of the overall business case for an information system.

Planned procurement of hardware and software systems must in the first instance to be referred to the Council's IT Services and Corporate Procurement Managers for advice and approval. The Information Governance

Team must also be consulted to ensure that security, legal compliance and information management issues are managed.

10. **Information Security Incident Management**

The Council's Data Protection Officer shall ensure that formal security incident reporting and escalation procedures are in place.

All employees, contractors and third party users should be made aware of the procedures for reporting the different types of incidents, events and weaknesses that might have an impact on the management of the Council's information and information systems.

11. **Business Continuity Management**

The Council's Data Protection Officer, Chief Finance Officer and Head of Digital & Customer Services shall ensure that a business continuity management process is implemented to minimise the impact on the Council and recover from loss of information assets to an acceptable level through a combination of preventive and recovery controls.

This process should identify the critical business processes and integrate the information security management requirements of business continuity with other continuity requirements relating to such aspects as operations, staffing, materials, transport and facilities.

12. **Compliance**

The Council's Data Protection Officer shall ensure that adequate policies and procedures are in place to ensure compliance with all relevant legislation in respect of information held, both electronic and hard copy.

Directors are to ensure that adequate processes are in place within their services to comply with legislation and ensure that information requests are satisfied within the statutory timescales.

In addition, please refer to:

Data Protection Act Policy
Freedom of Information Act Policy
Environmental Information Regulations Policy
Security Incident Management Policy
System Access and Password Management Policy
Records Management and Data Quality Policy
Records Retention Schedules
Retention of Records Policy
Information Security Policy
Electronic Communications – Acceptable Use Policy

Section 20 – 'Employee' Interests, Gifts and Hospitality

Why is this important?

The public is entitled to expect conduct of the highest standard from Local Government employees. Public confidence in the integrity of such persons will be shaken by the least suspicion, however ill-founded, of influence being exerted on Council business, through financial (or other) inducements or conflicts of interests.

The purpose of this section of the regulations is to ensure that all employees (and other individuals engaged in official Council business) have a clear understanding of their responsibilities when they have an interest or receive / give gifts and hospitality related to their Council position.

Failure to declare interests, gifts and hospitality could be a breach of legislation. Section 117 of the 1972 Local Government Act requires individuals to declare any financial interest, whether direct or indirect, in any existing or proposed contract.

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe. It is also an offence to request, agree to receive, or accept a bribe and there is a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

A corporate offence is created where there is a failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place "adequate procedures" designed to prevent bribery by or of persons associated with the organisation.

Objectives of guidance and rules governing possible conflicts of interest:

The key objectives are:

- Ensure that the interests of the public remain paramount;
- Officers are impartial and honest in the conduct of their official business;
- Public monies are used to the best advantage of the Council, always ensuring value for money.

It is important that all potential conflicts of interests are properly identified and recorded and that a record of appropriate action taken is made. This will assist in maintaining public confidence and assist in achieving the Council's commitment to tackle fraud and corruption within or external to the organisation.

Key Responsibilities for Employees engaged on Council business:

1. All employees must be aware of the Employees Code of Conduct.

2. On starting employment / engagement (consultant or agency worker) on Council work or at any time during the period of employment / engagement individuals must declare ‘interests’ using the electronic Register of Interests.
3. The Register of Interests will be maintained to enable employees to submit on-line declarations. Interests will include:
   - Organisation Membership (not open to the public without formal membership and commitment of allegiance and which has secrecy about rules or membership or conduct)
   - Other employment / business
   - Land Interest
   - Financial Interest
   - Family / Friends

4. During the course of their duties, employees may receive offers of gifts and hospitality of one form or another and it is important that employees are able to recognise what is, and what is not, acceptable. The following guidelines should be adhered to:
   - Acceptance or refusal of gifts and hospitality must be recorded in Gifts & Hospitality Electronic Register. Each register entry will be subject to management approval and periodic Audit inspection.
   - Gifts which may be sent / offered to employees by outside contractors or organisations should be returned politely with a suitable official letter, and details recorded in the Register.
   - Gifts can only be accepted when they are of nominal value**,** functional, items suitable for business use, e.g. diaries, calendars, and pens.
   - On no account should an employee accept either secondary employment or a financial payment from any person, body or organisation, with which the Council is involved, e.g. contractors, developers, consultants.
   - Normally, visits by employees to exhibitions, demonstrations, conferences, business meals, social functions, in connection with their official duties shall be at the Council's expense.
   - Where hospitality, in the form of meals and drinks, is offered by a third party, this is normally only acceptable where it forms part of, or immediately follows on from, normal business meetings/discussions held during the normal working day.
   - Where offers of hospitality are made, i.e. invitations to dinners, these should only be accepted if there is a clear and demonstrable benefit to the Council, and the hospitality would not expose the Council to criticism that the provider of the hospitality was achieving undue influence. Attendance must have the relevant Director’s approval in advance, and must be recorded in the Register of Gifts and Hospitality.
   - Offers of hospitality in the form of purely social events and sporting occasions should on **no account** be accepted when these are from organisations with which the Council has commercial links. However, invitations to social events from non-commercial organisations with which the Council has a partnership arrangement will be acceptable, but must have the Director’s advance approval, and must be recorded in the

Electronic Register. Offers of hospitality refused must, in addition, be recorded in the Register.

- Regular social contact, i.e. drinks in a public house, with representatives of organisations which supply, or hope to supply, goods or services to the Council must be avoided. Where such instances do occasionally take place, i.e. after late working, officers should ensure that they "pay their way" and that the costs of such contact are not met in full by the other party.
- For their own protection, officers may wish to consider recording such events in the Electronic Register.
- Apart from participating in concessionary schemes arranged by the Council, trade unions or other groups for their members, employees shall not avail themselves of the services of contractors employed by the Council for acquiring services, materials, labour or plant at cost, trade or discount prices.

5. Suspected irregularities concerning conflicts of interest, giving and acceptance of gifts & hospitality must be reported without delay to the Chief Audit Executive and Monitoring Officer, and where appropriate, to the Chief Executive and the appropriate Cabinet Member.

6. Employees responsible for the purchase of goods and supplies on behalf of the Council should note that any promotional offers given by suppliers are the property of the Council.

7. These promotional offers normally take the form of a free gift, a holiday offer or vouchers towards goods. Promotional offers should **ONLY** be used for the benefit of the Council, and the Director concerned will decide how such offers are to be used.

8. All promotional offers accepted and declined and the course of action determined by the Director must be recorded in the Electronic Register.

Section 21 – Corporate Purchasing Cards and Pre-Paid Cards

Why is this important?

Only authorised permanent employees will be provided a purchasing card with the agreement of the relevant Director.

The purpose of this section of the regulations is to ensure that all employees have a clear understanding of their key responsibilities when using the Council's Corporate Purchasing Card.

Objectives of the Corporate Purchasing Card:

Purchasing Cards streamline the purchasing process and offer the following benefits:

- Reduce Supplier Set-Up in the Council's Financial System
- Reduce number of purchase orders raised and invoices processed,
- Increase speed of payment to suppliers,
- Increase the speed of obtaining goods and services.

Implications if the purchasing card is not used appropriately:

1. Failure to secure value for money (there's a requirement to obtain quotes and tenders - Contract Standing Orders);
2. Payments are made for non-business use goods and services;
3. Payments are duplicated;
4. Loss of recoverable VAT;
5. Fraud & theft
6. Inaccurate coding of Expenditure

Key Responsibilities for Staff:

1. The Chief Finance Officer, Chief Audit Executive, Head of Strategic Procurement, or Head of Corporate Finance will be responsible for authorising all Purchasing Card application forms.
2. Directors must authorise the issue of all new Purchasing Cards to members of permanent staff within their Service.
3. Directors will be responsible for agreeing the transaction, monthly credit limits and categories of expenditure for all Corporate Purchasing Cards issued within their Service.
4. All Cardholders must abide by the requirements of the Purchasing Card Terms & Conditions and the Purchasing Card Procedure Guide.
5. The cardholder must ensure that the Purchasing Card issued to them is kept in a safe place at all times and access is strictly limited.
6. The Purchasing Card must only be used to purchase goods or services on behalf of the Council and must only be used by the named cardholder.

7. All purchasing card holder should obtain a VAT or “retailer’s” receipt. This should be retained until the card holder has verified the sums shown on the monthly statement.
8. Some suppliers are “VAT-enabled” and the statement will show purchases net of VAT. For those suppliers where the amounts are shown gross and (subject to being material as defined in the guide) the cardholder should reclaim VAT for these items and when it is reclaimed they must retain the receipt to evidence the transaction.
9. The cardholder must ensure that purchasing card transactions are accurately coded in the Council’s Financial System.
10. Directors must ensure that the detailed procedures and key controls, as specified in the Purchasing Cards Procedures Guide, are strictly followed.
11. Any misuse of the Purchasing Card will be treated as misconduct and subject to normal disciplinary procedures.

In addition, please refer to:

Corporate Purchasing Card Procedures Guide
Purchasing Card Terms & Conditions

Section 22 – International Travel

Why is this important?

If International travel, by Council Officers and Members, is not administered efficiently and robustly, the Council is very open to criticism and loss of reputation.

It is critical that the decision making process and rationale is clearly documented to include all aspects of the trip, such as expected outcomes/benefits, lead officer, number of council officers, external parties/delegates, rationale for numbers etc, overall budget required and reporting requirements both before and after the trip.

The Council's Financial Regulations and Standing Orders will continue to apply when arranging and making payments for international visits.

Objectives of International Travel Guidelines:

- To ensure that Council Members and Officers obtain value for money and that the Council only incurs expenditure on activities relating to officially approved international visits.

Implications if above objectives are not achieved:

1. Failure to secure value for money.
2. Travel not officially authorised
3. Resources may be used inappropriately
4. Loss of reputation to the Council and adverse publicity
5. Loss of recoverable VAT

Key Responsibilities for Staff & Members:

1. The Council's Financial Regulations and Contract Standing Orders will continue to apply when arranging and making payments for international visits.

2. All Council Members and Officers must have formal, official approval before taking part in an international visit and entering into any commitments concerning that visit. An 'International Visits Approval Form' must be completed in each case.

3. This Code of Practice will apply to all parts of international journeys, including the initial and final part of the journey in the U.K.

4. All staff taking part in international visits are under an obligation to minimise official expenditure, e.g. economy class air fares. However, staff should not expect to be out of pocket on official visits (unless they undertake optional or private extensions or modifications to essential itineraries).

5. The maintenance of detailed and precise records of expenditure, together with obtaining receipts for all expenditure incurred, are essential. All financial records, associated with the visit, must be retained, as specified in the attached Code of Practice. Reimbursement of expenses claimed will only be made against receipts.

6. Travel Insurance must be obtained from the Council's Insurance Officer immediately on booking any travel arrangements.

7. If free accommodation is offered in a host country, either in the homes of colleagues or elsewhere then staff should accept it following completion of an H&S assessment.

8. Council Purchasing Cards (Credit Cards) must only be used for Official Council expenditure incurred on approved visits. To ensure that the card can be used outside of the UK, the Purchase Card Administrator should be notified of travel dates and intended location.

9. A report detailing the benefits of the visit must be submitted to the relevant Director, and / or Cabinet Member upon the completion of the visit. This report should detail the objective / purpose of the visit (as detailed on the 'International Visits Approval Form').

In addition, please refer to:

Code of Practice No.13 - International Travel

Section 23 – Commissioning & Procurement

Why is this important?

1. The Council spends a large sum of money each year on contracts, for works, supplies or services. These Financial Regulations apply to all contracts and must be read in conjunction with the Council's Procurement Strategy which includes the Council's Contract Standing Orders.

Financial Regulations support the Council's Procurement Strategy in order to:

- Secure the best value for the Council,
- Prevent corruption or the suspicion of it; and
- Be fair and transparent to those seeking to contract with the Council.

Objectives of our Procurement Strategy:

- To prioritise our local economy and social value for our community. This means targeting opportunities for the local economy, providing for a sustainable future and supporting the vulnerable.
- To always aim to think innovatively and work across organisational and service boundaries. This means identifying opportunities with partners and a one-council approach to our sourcing needs.
- To always aim to deliver value for money to the taxpayer. We will provide clarity on expectations, be commercial in our approach and drive efficiency and benefits out of our systems'
- To use intelligent information and analysis to understand our market place and create a workforce with the right capacity and skills to exploit this knowledge for our community.
- To provide a fair, consistent and proportionate framework of governance, rules and guidance to enable decisions to be transparent and accountable
- To ensure that works, goods and/or services meet the needs of the Council
- To secure value for money by obtaining the best price and quality for works goods and/or services ordered.
- To establish contractual arrangements that clearly defines the responsibilities of each party to the contract.
- To ensure the Council complies with EU legislation.
- To ensure that appropriate contract management arrangements are in place.

Implications if above objectives are not achieved:

1. Failure to secure value for money;
2. Failure to be transparent around our systems, objectives and processes;
3. Delays to delivery of contracts whilst legal challenges are dealt with and increased costs incurred in order to defend the Council's position.

Key Responsibilities for Staff & Members:

1. Directors **must** establish a commissioning intentions schedule that at minimum covers a rolling long term programme (3 to 5 years) of future commissioning and procurement activity.

2. Every contract made by the Council **must** be awarded in line with the Procurement Strategy and Council's Contract Standing Orders.

3. Directors **mus**t ensure that all Officers in their Service that have been nominated as 'Responsible Officers' (RO) for contract management purposes have been appropriately trained (including use of e-procurement systems).

4. RO's **must** ensure that all contracts are recorded on the Contracts Register.

5. RO's **must** ensure that requests for quotations and invitations to contract with the Council comply with Council's E Procurement Policy.

6. Financial vetting must be undertaken independently through Internal Audit.

7. Where corporate contracts are in place Directors **must** ensure they are used.

8. The RO must obtain appropriate VAT advice in relation to all contracts to provide services to ensure the appropriate VAT treatment is applied.

9. The RO **must** ensure that all contract documentation is correct before agreeing on the Council's behalf. This will include any clearance required through the Council's Democratic processes.

10. Any changes to the nature, value, term or any other changes **must** be agreed by the RO in line with the contract variation process identified in the original contract (subject to clearance through the Council's Democratic processes). Any change **must** be updated on the Contract Register.

11. The RO for each contract shall ensure that all instructions have been appropriately authorised and issued before the goods are ordered, services requested or works are undertaken. All instructions to suppliers and payment arrangements **must** be in a form agreed by the Chief Finance Officer.

12. The RO **mus**t establish appropriate management arrangements for the regular review of contractual performance of the contractor that allows performance issues to be identified and addressed in line with the contract.

In addition, please refer to:

Council Contract Standing Orders
Council Corporate Procurement Strategy

Section 24 – Members' Allowances and Expenses

Why is this important?

It is important that payments of Members' allowances and expenses are accurate, timely, and authorised in accordance with the scheme adopted by the Council. Expenses must be incurred on Council business and properly payable.

Objectives of the Members' Allowances and Expenses processes:

- To ensure that proper authorisation procedures are in place.
- To ensure payments are made on the basis of correctly submitted / evidenced claims.
- To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.
- To ensure compliance with HM Revenue & Customs regulations.

Implications if above objectives are not achieved:

1. Failure to comply with HM Revenue & Customs regulations
2. Unauthorised payments are made
3. Inaccurate payments are made
4. Loss of reputation

Key Responsibilities for Members and Staff:

1. All Members must adhere to the "Bath & North East Somerset Members' Allowances Scheme", approved by Full Council.
2. Any amendments to the scheme will be solely determined by the Council following receipt of recommendations from the Independent Remuneration Panel.
3. The Chief Finance Officer is authorised, on receipt of verification from the Solicitor to the Council of a claim from a Member, to pay the appropriate allowances in accordance with the payment arrangements described in the scheme.
4. Travel and subsistence allowances may be claimed by Councillors. The arrangements for these allowances are included in Part 2 of the scheme.
5. Subsistence allowances may be claimed by Councillors, in respect of each occasion on which a Councillor carries out a duty as specified in Schedule 2 to the Scheme.
6. In order to claim subsistence allowance a claimant must have personally incurred expenditure on subsistence.

In addition, please refer to:

Councillors' Allowances Guidance

Section 25 – External Arrangements Partnerships

Why is this important?

Partnerships bring together key public agencies, the business community and the independent sector (voluntary and community sector organisations, further and higher education, neighbourhoods) to address the shared priorities for the area and to tackle the issues that no single agency can do on their own. The Council provides a distinctive leadership role for the community to promote / improve the economic, social or environmental well-being of its area and people. Local Authorities can mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.

A Partnership is a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to jointly deliver common goals and outcomes for the community;
- share accountability, risks and resources, and
- create an organisational structure with agreed processes and programmes.

Partners have common responsibilities:

- to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- be open about any conflict of interests that might arise, including those where Council staff have been seconded to work on the project;
- to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- to act wherever possible as ambassadors for the project.

Key controls

The key controls for partnership arrangements are:

- ensuring that partnership arrangements are underpinned by clear and well documented internal controls.
- risk management processes are in place to identify, assess and allocate all known risks.
- appraisal processes are in place to assess the viability of the partnership in terms of resources, staffing and expertise.
- the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.

- adequate arrangements are in place to ensure the accountability of other organisations for Council money, and that such money is only released against proper controls.
- regular communication is maintained with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.
- documentation is in place setting out and limiting the commitments of parties to each other and the project.

Responsibilities of the Chief Finance Officer

1) To advise on effective controls that will ensure that resources are not wasted.
2) To advise on the key elements of funding a project. They include:
    - scheme appraisal for financial viability in both the current and future years.
    - risk appraisal and management.
    - resourcing, including taxation issues.
    - audit, security and control requirements.
    - carry-forward arrangements.
3) To ensure that the accounting and reporting arrangements are satisfactory.
4) To advise on the governance and performance management of partnership arrangements.
5) To ensure that when the Council is the "Accountable Body" there are adequate controls and governance arrangements in place.

Responsibilities of Directors

1) That the key components of a Partnership Governance Framework are in place. This includes:
    - Ensuring that, before entering into agreements with external bodies, a business case and risk management appraisal has been prepared and considered.
    - Ensuring that all agreements and arrangements are properly documented.
    - Ensuring that such agreements and arrangements do not impact adversely upon the services provided by the Council.

Detailed Requirements

1. The Cabinet is responsible for approving significant partnership arrangements. The Cabinet is the focus for forming partnership arrangements with other public, voluntary and community sector organisations to address local needs.
2. The Cabinet can delegate functions, including those related to partnership, to officers. This is set out in the scheme of delegation that forms part of the Council's constitution. When functions are delegated, the Cabinet remains accountable for them to the whole Council.
3. A Business Case for partnership must be submitted for approval to the Cabinet for significant partnerships. A thorough risk assessment of the partnership must be made as part of the Business Case.

4. For each approved partnership, a Link Officer must be appointed. The Link Officer is responsible for reviewing governance arrangement and effectiveness and reporting to the relevant Director.
5. A Partnership Agreement must be completed and signed by all members of the Partnership.
   This agreement must follow an approved format as agreed with Council Solicitor.
6. The Link Officer must perform a review of the partnerships governance, performance and effectiveness at least annually for review by the Cabinet or relevant Director. The review must demonstrate a continuing business case for the partnership or if not exiting the partnership must be considered.
7. The partnership must perform regular risk assessments and maintain a risk register.
8. It shall be clear that officers put forward to represent the Council on partnerships and external bodies are there on the Council's behalf and to ensure that the Council's interests, position and aspirations are protected. If the achievement of the objectives of the partnership becomes inconsistent with this, there is a conflict of interest. If there is a conflict of interest, an officer's first duty is always to the interests of the Council. Where an officer is appointed to a legally constituted company (not a partnership) the officer will be bound by the company's memorandum and articles. In this appointment the officer must represent the interests of the Company.

Section 26 – External Funding

Why is this important?

External funding is potentially a very important source of finance, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers.

Funds from external sources such as Regional or National funding mechanisms, the National Lottery and European Union provide additional resources to assist the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

Key controls

The key controls for external funding are that:

- funds are accepted only if they meet the priorities approved in the policy framework by the full Council.
- the requirements of the Funding Body are clearly understood to ensure that key conditions of funding and any statutory requirements are complied with.
- any match-funding requirements are given due consideration prior to entering into long-term agreements and that revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

1) To review all grant application prior to submission.
2) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
3) To ensure that audit requirements are met.

Responsibilities of Directors

1) To obtain approval from Chief Finance Officer or his / her representative for grant applications.
2) To ensure permissions are in place to incur expenditure funded by grant, including Full Approval status within Capital Programme where appropriate.
3) To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.
4) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenues are able to meet these requirements.
5) To ensure that all claims for funds are made by the due date.

Section 27 – Work for Third Parties

Why is this important?

Local authorities can enter into a wide range of agreements to do work with each other and with some (but not all) public bodies. Such an agreement may enable the Council to provide a range of services to other bodies and so deliver additional income or maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. within the Council's legal powers).

Key controls

The key controls for working with third parties above a value of £50,000 p.a. are:

- proposals are costed and reviewed for accuracy and completeness;
- no process is started that might lead to the Council agreeing to do work for an outside body whether public sector or otherwise, without seeking the advice of the Council Solicitor as to whether this is within the Council's legal powers;
- no process is started that might lead to the Council agreeing to do work for an outside body, whether public sector or otherwise without first establishing and recording that there is a clear economic case why doing the work is in the Council's best interests;
- contracts are drawn up with the guidance of the Council Solicitor;
- guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register;
- the Council has insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included with the overheads when calculating fees.

Responsibilities of Chief Finance Officer

1) Where the proposal exceeds £50,000 p.a. to issue guidance with regard to the financial aspects of third party contracts.

Responsibilities of Directors

1) To ensure that the Cabinet Portfolio Member is aware of any individual proposals above £50,000 p.a. before any negotiations are concluded to work for third parties.
2) To ensure that the Council does not enter into any agreement that is beyond its power.
3) To ensure that no contract is subsidised by the Council.
4) To ensure that, wherever possible, payment is received in advance of the delivery of the service.
5) To ensure that the Service / Team has the appropriate expertise to undertake the contract, and that such contracts do not impact adversely upon the services provided for the Council.
6) To ensure that all contracts are properly documented.

Section 28 – Avon Pension Fund

1. In its role as 'administering authority', Bath & North East Somerset Council has executive responsibility for the Avon Pension Fund. The Council is legally responsible for the Fund as set out in the Local Government Pension Scheme Regulations.

2. The Council delegates its responsibility for administering the Fund to the Avon Pension Fund Committee, this includes the setting up of a Local Pension Board and Investment Panel.

3. The Pensions Committee shall be responsible for the strategic policy of the Avon Pension Fund and the Fund's investment management arrangements. The Pensions Committee shall also make whatever arrangements it considers appropriate for the custody of the Fund's investments. This includes the use of partnership arrangements with other local authority pension funds to reduce costs to the Fund, i.e. Brunel Pension Partnership.

4. Where the Council solely manages any investments or balances relating to the Avon Pension Fund (i.e. not Brunel Pension Partnership) then the Council shall manage on an agency basis any cash balances belonging to the Avon Pension Fund which are held with the Council's bankers. A Service Level Agreement with the Council's Finance function shall regulate the way in which these balances are managed.

5. The Avon Pension Fund shall establish arrangements either internally or through the Brunel Pension Partnership to ensure that regular, i.e. quarterly reports are made to the Pensions Committee on the performance of the Fund's investment managers and all other matters affecting the administration of the Fund's investments. The mandates of the investment managers shall be subject to periodic review.

6. The Pensions Committee shall appoint an actuary to the Fund and shall review the appointment periodically.

7. The Pensions Committee shall appoint a "local referee" to the Fund in compliance with the Internal Dispute Resolution Procedure set out in the Local Government Pension Scheme Regulations and shall review the appointment periodically.

8. The Pensions Committee shall approve an annual budget for the Fund's administrative expenses and all disbursements shall be met from within this budget. Reports monitoring expenditure against budget shall be submitted to the Pensions Committee quarterly.

9. Except where otherwise provided, the Pensions Committee shall approve all discretionary policies outside of those exercised by the Administering Authority under the Local Government Pension Scheme Regulations.

10. The Chief Finance Officer shall approve a list of authorised signatories, which shall apply to all disbursements made by the Fund.

11. The Chief Finance Officer shall be responsible for preparing an Annual Report and Accounts for the Fund.

12. The Chief Finance Officer shall make arrangements for the collection of all employer and employee contributions due to the Fund.

13. The Chief Finance Officer shall make arrangements for the payment of transfer values owed by the Fund and the collection of transfer values owed to the Fund.

14. The payment of all benefits will be made under arrangements approved and controlled by the Chief Finance Officer.

BUDGET MANAGEMENT SCHEME

Overall

The purpose of the Budget Management Scheme is:

a) To ensure that income and expenditure is in line with the agreed Council budgets and operational plans (consistency of purpose), and,
b) To maintain overall Financial control of Council income and expenditure

Section A: REVENUE BUDGETS

Budget Management

1) Directors are responsible for budget management.

2) The Chief Executive and Corporate Directors have overall responsibility for the delivery of the strategic objectives for their areas of responsibility, and thus have a responsibility for effective performance monitoring of Directors on matters of budget management.

3) Each Director will develop and maintain effective arrangements for financial management within his/her service area. Delegation to service managers is permitted, although this will not remove ultimate accountability for budget management and performance from the Director.

4) Services are to be managed within their budgets, using virement and carry forwards, as appropriate. The scheme applies equally to all the Council's trading activities.

5) **T**he Chief Financial Officer may, following consultation with the Senior Management Team and Cabinet approval suspend the carry-forward and virement rules within the Scheme.

Virements (see Annex 1 for definitions of Cabinet Portfolios and Services, and Annex 2 for clarification of virement rules application)

6) Any virement which has the effect of changing a Council policy must be approved by the Cabinet or Council as appropriate.

7) Directors may independently approve virements between their Services and within Cabinet Portfolios:

7.1 following consultation with their Accountant, where each individual virement does not exceed £25,000, or, 7.2 where each individual virement exceeds £25,000 but does not exceed £50,000 following consultation with their Corporate Director/Chief Executive and the Chief Financial Officer, and the relevant Cabinet Member,

provided that the virement does not represent a change in policy or commit the Council to increased costs (both within the current financial year and on an on-going full year basis).

9) Cabinet Members may approve virements within and between Portfolios. Where a virement is between Portfolios, all the relevant Cabinet Members must agree to the virement being made.

10) The relevant Directors may approve virements between services falling within the responsibilities of more than one Director and within Portfolio,

10.1 where each individual virement does not exceed £25,000.

10.2 following consultation with the relevant Corporate Director/Chief Executive, the Chef Finance Officer and the relevant Cabinet Member where each individual virement exceeds £25,000 but does not exceed £50,000.

Any such virement must be agreed by all the relevant Directors

11) Virements shall not be used to create a commitment over and above existing cash limits beyond the end of the financial year in which it is exercised. All proposed virements should make clear the effects in the current financial year and future years, and whether or not it is proposed to change future year's base budgets.

12) Directors may only agree / recommend virements if they are satisfied that they understand the implications for the service/s from which funding is being taken, and the service objectives of the relevant Services will not be impaired.

13) All virements must be reported to the Cabinet on a quarterly / four times per year basis.

Use of General Fund Balances

14) Any proposed use of un-earmarked general balances that reduces balances below the approved range must be recommended by the Cabinet and/or approved by the Council. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses.

15) In cases of emergency, money may be drawn from balances by the Chief Executive in consultation with the Chief Financial Officer (or nominees of both when both/either is absent). Recovery of these sums will then take precedence over any future carry forwards of under spend or spending on "non-urgent" items. For cases where use of balances in any one financial year reduces the level of balances below the range threshold, a plan setting out the recovery of balances to the minimum agreed threshold should be made to the full Council at the earliest opportunity (unless Council waives this on the advice of the Chief Executive, Chief Financial Officer & Cabinet Member for Finance & Efficiency).

Earmarked Reserves

17) Any Council earmarked reserve set aside by Council for a specific purpose may not be spent on any other purpose without the permission of Council.

18) The specific arrangements for the governance and release of reserves are delegated to the Council's Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and the Chief Executive.

Carry Forward -- Overspends

19) With effective budget planning and management, overspending should not occur. If, however, one occurs it must normally be recovered.

1) The Director is responsible for making proposals for the recovery of any overspend to their Corporate Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem.

2) Overspends will normally be expected to be recovered within the following year. However, a period of up to 3 years may be allowed for the recovery of overspends, depending on the level of overspend and the subsequent impact of recovery on service delivery.

3) All formal recovery plans will be submitted by the relevant Director as part of budget monitoring to the Cabinet for approval.

4) Senior Management Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position and may consider writing off overspends

Carry Forwards -- Underspends

20) (1) Directors may, following consultation with their Corporate Director and the relevant Cabinet Member, put forward proposals for the utilisation of any underspends arising within their services, before the end of the financial year in which the underspend arises.

(2) The Cabinet may approve proposals reported to it provided, in each case, the underspend

a) is not a windfall,
b) does not relate to a matter funded as a service development that has not occurred, and
c) occurs in the financial year in which it is reported.

(3) No proposal to carry forward any underspend will be reported to Cabinet unless the Director has sought to manage the overspend within the services falling within their remit, and Senior Management Team have agreed to recommend the proposal.

(4) An underspend will be considered to be a windfall if it has not been identified and reported to the Cabinet by the end of January in the financial year in which it occurs, based on the April to December budget monitoring report.

(5) Senior Management Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position in deciding whether each underspend is approved.

Monthly Reporting

21) The Senior Management Team and Cabinet Members will receive a monthly financial report of the Councils key budget risks from the Chief Financial Officer. This report will contain information on the progress and implementation key savings proposals.

22) Reports will focus on the key issues. Under or over spends are to be flagged at an early stage, with Directors making proposals for the recovery of overspends or utilisation of under spends, regardless of the fact of any `netting off' effect.

Quarterly Reporting

23) The Cabinet is to consider the overall revenue & capital outturn budget position four times a year.

24) Reports will focus on the key issues. Under or overspends will be reported with Directors outlining proposals for the recovery of any overspends. An update will be provided on the delivery of all savings proposals and include actions and mitigations for any non-delivery or slippage.

25) The Cabinet is required to approve the outturn position within 4 months of the end of a financial year. Any action that officers are required to take to manage a budget that affects a change in policy and/or a reduction or increase in service will be reported to Council at the earliest opportunity.

26) The Corporate Audit Committee will approve the Council's Statement of Accounts in line with statutory requirements and timescales.

Section B: CAPITAL BUDGETS

Budget Management

1) Directors are responsible for budget management of all capital schemes within their service area. Directors may delegate to other officers responsibility for all or some budget heads, but they will retain overall accountability.

2) Before any scheme is included in the capital programme, budget management responsibility must be assigned to a Director. Directors will be required to follow guidance issued by the Chief Financial Officer from time to time on budget approval process.

3) Capital budgets are to be managed by individual scheme, with flexibility to combine smaller (up to £500k), schemes into a block of similar schemes (e.g. Highways Maintenance capital block).

4) The capital programme is to be approved and managed on a rolling basis over at least a 5-year period.

5) The Capital Programme (including Provisional Schemes) is agreed by Council. The Cabinet will, during the year, monitor the programme and resources and may approve additional schemes for inclusion in the Programme, subject to analysis of the financial implications and a prudent view of resource availability.

6) New schemes attracting 100% grant, WECA funding or other 3rd party contribution can be incorporated into the Programme by the Cabinet and do not require the specific approval of the Council, provided the financial (including risk) implications are fully identified. All other additional schemes, including those funded by borrowing, will require full assessment of revenue impacts and if they result in either, a net revenue cost impact or an increase in the overall Council approved borrowing limits, they will require the approval of the Council, otherwise they can be approved by Cabinet.

7) Provisional schemes once approved by Council can become fully approved through the appropriate Director (who will record the decision) and the Chief Finance Officer in consultation with the appropriate Corporate Director, Portfolio Holder and the Portfolio Holder for Finance and Efficiency, provided the scheme approval is sought within the agreed provisional budget envelope and there is no negative impact to approved revenue budgets as a result.

8) As part of the due diligence required the project must be fully costed and a PID completed, prior to submission PID's require confirmation of support from the relevant Director and Finance Manager (or delegate) approval. The PID then must be approved by a majority of the Director Group. Once this has been completed consultation with the Portfolio Holder and Portfolio for Finance and Efficiency can take place before the final decision can be made by the Corporate Director (unless other Council agreed delegation applies) and recorded. A sample decision template is attached. (note it is at the Corporate Director's discretion as part of consultation to require a Cabinet or Single Member Decision where it is the public/Council interest to do so). The recorded decision requires agreement by the Chief Finance Officer (or delegate).

9) All schemes moving from Provisional to Full Approval must be reported within the next quarterly Revenue and Capital Monitoring Report to Cabinet.

10) No decision can be made by an officer, Councillor or the Cabinet that will incur future revenue or net total scheme capital costs to the Council over and above a previously agreed capital scheme (or group of schemes that constitute an agreed programme) within the financial plan totals without the approval of Council.

Scheme Substitution

11) Within block schemes, the substitution of one scheme for another that is unable to proceed will be allowed following consultation and approval with the Chief Financial Officer, and subject of any specific provisions agreed as part of the budget approval.

12) For other schemes, scheme substitution of up to £500,000 will be allowed following consultation and approval of the Chief Financial Officer, if the following conditions are met:

a) The new scheme closely resembles the original scheme;

b) The scheme can make use of the same type of funding approved for the original scheme;

c) The new scheme does not require significant additional design or "work-up" costs to be incurred before it can commence.

13) Approval of the Council will be required for the substitution of a capital scheme not meeting the criteria within paras 7-8.

14) If funding has been allocated for specific schemes by Government Departments or the European Commission, then approval must be obtained from the relevant body, as required under the terms and conditions of the funding.

Carry Forward

15) With effective budget planning and management, overspending should not occur. If, however, one occurs it must be recovered. The Director is responsible for making proposals for the avoidance or recovery of any overspending to their Corporate Director in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem. Significant overspendings must be reported to the Cabinet at the earliest possible stage.

16) Within block schemes overspendings on payments during the year will be carried forward and the following year's capital programme correspondingly reduced.

17) On other schemes a Service will normally be expected to absorb any overspending by virement from other budgets or by deferral of other planned schemes.

18) Directors are encouraged to utilise resources in the year in which they are provided, especially where projects are funded through the receipt of grant with conditions that require this.

19) Planned spending should be profiled realistically across the 5-year Programme to ensure that the Council overall is able to make best use of its capital resources. Where a scheme (or block of schemes) slips, the in-year under-spending will normally be carried forward in order to ensure completion of the scheme. If a scheme is expected to under spend against its planned total capital scheme cost, then this should be reported as part of the outturn for consideration by Cabinet.

Reporting

20) Cabinet will receive regular (at least four annually) reports of progress on capital schemes through the budget monitoring process in order to focus on the key issues and to identify project spend in both the current financial year and over the lifetime of each project, and associated funding and revenue implications.

Capital Contingency

21) Council will approve a sum that is to be set aside to reflect the overall risk from capital projects it has approved. The contingency will be set by Council following a report from the Chief Financial Officer on the appropriate level of reserve to mitigate the potential threat of financial exposure after considering the known risks of each scheme on an individual basis. The contingency will then be managed by the Cabinet Member for Finance & Efficiency in consultation with other Cabinet members, who will be required to report back to Council if and when he considers that this is likely to be insufficient. The contingency will be reviewed by Council on an annual basis as part of the financial plan review, unless requested to do so more frequently by the Chief Financial Officer, or the Cabinet.

22) The Cabinet must manage the contingency taking into account the lifetime and profile of expected risk exposure of the programme to which the fund relates. The Cabinet must consider the advice of the Chief Financial Officer in recommending such uses.

23) In exceptional circumstances of extreme urgency, additional expenditure may be approved by the Chief Financial Officer in consultation with the Cabinet Member for Finance & Efficiency and Chief Executive. Recovery of this sum will then take precedence over any future capital programmes on "non-urgent" items.

Approval to Spend Procedure

Commitments can be made as follows

Scenario	Consultation / Reporting / Approvals Requirements
Director wants to vary between subjective expenditure headings within the project total (excluding use of project contingency)	The Director can vary subjectively within the project total.
Director wants to draw down on project specific contingency.	Proposals for any such drawdown should be reported to the Directors Group and are subject to agreement with the relevant Cabinet Member. The rationale will need to consider the adequacy of the remaining contingency.
Outside the Project specific Contingency (i.e. drawdown of the overall capital programme contingency)	The Director and relevant Cabinet Member must request draw down of general provision from the Cabinet Member for Finance & Efficiency, in consultation with the Chief Financial Officer and Chief Executive.
Outside the overall capital programme contingency General Provision	If there is likely to be a potential overspend on the general provision, an immediate report to Council is necessary

The above rules apply within a financial year as well as in relation to the total scheme cost (over the period of the project). These rules also apply to changes in funding (which may offset the spending variations or may be independent of them)

ACCOUNTABILITY

1) Directors will be responsible for ensuring the principles of this scheme are understood and enforced within their service areas.

2) "**Chief Financial Officer**" for the purposes of this scheme means the Chief Financial Officer under s151 of the 1972 Act (and s114 of the 1988 Act) or their nominated deputy insofar as the legislation allows the deputy to act in the absence of the CFO.

Annex 1

Revenue Service and Virement Cash Limits:
A service cash limit (as referred to in the Budget Management Scheme above) is a budget heading line in the Revenue Cash Limits appendix to the Budget Report approved each year by February Council. These are also reported in the Budget Monitoring reports to Cabinet four times per year (including the Outturn report).

These Cash Limits are designed to assist with the determination of virements as set out in the section on Revenue Budgets (Section A) parts 6-13 above.

Each cash limit has a Director, Corporate Director and Cabinet Member assigned, and an individual cash limit may not have multiples of these assigned to it.

Annex 2

Summary of Virement Limits and Required Approval

Inter service/portfolio = between Services/Portfolios,

Intra service/portfolio = within a Service/Portfolio

Amount	Intra service, Intra portfolio	Inter service, intra portfolio	Intra service, inter portfolio	Inter service, inter portfolio
Less than £25k	Dir can approve	Dirs can approve	Dir can approve, consult portfolio holders	Dirs can approve, consult relevant portfolio holders
£25-50k	Dir can approve, consults CD/CEO & CFO, consult portfolio holder.	Dirs can approve, consult CD/CEO & CFO and portfolio holder.	Dir can approve, consults CD/CEO, CFO and relevant portfolio holders	Dirs can approve, consult CD/CEO & CFO, & relevant portfolio holders.
Over £50k	Included in quarterly Cabinet Budget Monitoring report for approval			

a) Virement Definition

A Virement is defined by CIPFA (Chartered Institute Public Finance & Accountancy) as “a transfer of an under spending on one budget head to finance additional spending on another budget head in accordance with an authority’s finance regulations”. For the purposes of this scheme a budget head is considered to be an equivalent level to the Cash Limit (as defined in Annex 1). This could also be allied to standard service subdivision as defined by CIPFA’s Service Expenditure Analysis.

b) Transactions that are not classified as virements

- Where these is no net transfer between budget heads. This can arise from new grant funding changes & associated expenditure, but also from adjustments within budgets within the same Service. The key principle reflected is there is no policy change or future year additional commitment to the Council.

- Re-assignment of budget heads between Directors or Portfolios. These are generally termed “Technical Adjustments”, and reflect the purpose and amount of expenditure remains unchanged but management responsibility has been re-assigned. Typically this happened from new management structures of services / departments have been made, or different treatment of overhead budgets are altered from being held centrally or recharged to services, or vice versa.

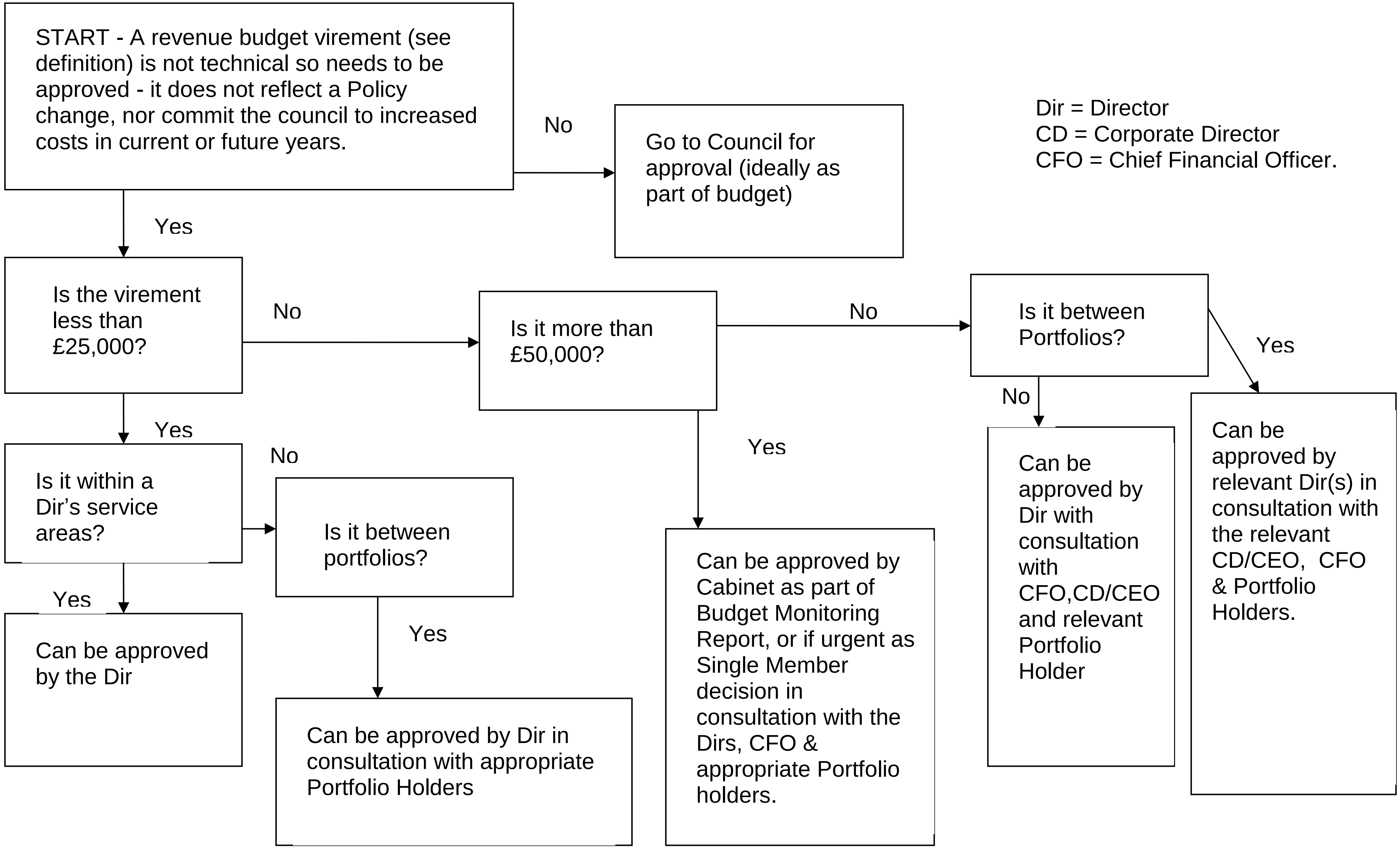
The “Technical Adjustments” described above will be reported to Cabinet retrospectively if they are across Cash Limit, to ensure that Cash Limit control is maintained.

c) Policy Change

A Policy is a plan of action adopted by the Council and implemented by the Cabinet. Hence outsourcing a service would define a policy change, as would using different delivery methods, or stopping a service or starting a new one, or extending an existing service.

d) Future years

There is no delegated authority for any officer to approve any virements which have a non-zero full year effect and/or create a future year commitment. Proposals can be made as part of the budget monitoring process or Medium Term Financial Strategy to the Cabinet, so that they can be considered in the Council’s future year budget planning.


START - A revenue budget virement (see definition) is not technical so needs to be approved - it does not reflect a Policy change, nor commit the council to increased costs in current or future years.
No
Go to Council for approval (ideally as part of budget)
Dir = Director
CD = Corporate Director
CFO = Chief Financial Officer.
Yes
Is the virement less than £25,000?
No
Is it more than £50,000?
No
Is it between Portfolios?
Yes
No
Yes
Is it within a Dir's service areas?
No
Is it between portfolios?
Yes
Yes
Can be approved by the Dir
Yes
Can be approved by Dir in consultation with appropriate Portfolio Holders
Can be approved by Cabinet as part of Budget Monitoring Report, or if urgent as Single Member decision in consultation with the Dirs, CFO & appropriate Portfolio holders.
Can be approved by Dir with consultation with CFO,CD/CEO and relevant Portfolio Holder
Can be approved by relevant Dir(s) in consultation with the relevant CD/CEO, CFO & Portfolio Holders.

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Bath & North East Somerset Council		
MEETING	**Council**	
MEETING DATE:	**13 September 2018**	EXECUTIVE FORWARD PLAN REFERENCE: E 9999
TITLE:	**Review of Polling Districts, Polling Places and Polling Stations 2018 Final Timetable**	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix A: Timetable		

1 THE ISSUE

1.1 On 7 August 2018 the Local Government Boundary Commission for England (LGBCE) published its final recommendations on the electoral review of Bath & North East Somerset Council's ward boundaries. In order to re-align the polling districts and polling places with the new scheme, the Council will conduct a review of polling districts, polling places and polling stations between September and December 2018.

2 RECOMMENDATION

2.1 The Council is asked to approve the final timetable for the implementation of the review.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The implementation of the review will involve significant work to update both the GIS database and the electoral register database. It is anticipated an expenditure of approximately £15,000.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 Under the *Representation of the People Act 1983* (RPA 1983), every local authority in Great Britain has the statutory responsibility to divide their area into polling districts, to designate polling places for those polling districts, and to keep the polling districts and polling places under review.

4.2 The *Electoral Registration and Administration Act 2013* introduced an additional requirement whereby local authorities must review all polling districts and polling places within the period of 16 months starting on 1 October of every fifth year after 1 October 2013.

4.3 The significant ward boundary changes which will result from the implementation of the new scheme recommended by the LGBCE require a re-alignment of a large number of the existing polling districts and polling places.

4.4 Local authorities must also comply with specific access requirements, and in particular they must seek to ensure that all electors in a constituency in the local authority area have such reasonable facilities for voting as practicable in the circumstances, and that so far as is reasonable and practicable every polling place is accessible to electors who are disabled

5 THE REPORT

5.1 Bath & North East Somerset Council will conduct a review of its polling districts and polling places between September and December 2018. The review has become necessary in order to re-align the Council's polling districts and polling places with the new ward boundary scheme proposed by the LGBCE. The Council is also required to commence a review in 2018 under the Electoral Registration and Administration Act 2013.

5.2 The formal procedure to be followed by local authorities in undertaking the review is described in Schedule A1 of the RPA 1983. Having regard of the legal requirements the Council will:

1. Publish a notice of holding a review
2. Consult the UK parliamentary Acting Returning Officer (Maria Lucas) for each constituency which is wholly or partly in its area
3. Publish all representations made by the Acting Returning Officer
4. Invite comments from any interested parties
5. Seek representations from people and organisations with particular expertise in relation to access to premises or facilities for persons who have different forms of disability
6. Consider all comments and representations received
7. Complete the review and implement the new scheme at the next scheduled local government elections (May 2019)

5.3 The final timetable is on Appendix A.

6 RATIONALE

6.1 The review is a statutory requirement and will be conducted according to legislation.

7 OTHER OPTIONS CONSIDERED

7.1 None

8 CONSULTATION

8.1 A working group has been established, including the Head of Legal & Democratic Services (Maria Lucas), the Electoral Services Manager (Aurora Loi), GIS Team Leader (Martin Laker) and a Communications and Media Officer (Jane Williams).

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	Aurora Loi T: 01225 477431 E: aurora_loi@bathnes.gov.uk
Background papers	LGBCE consultation documents on ward boundary review http://www.lgbce.org.uk/all-reviews/south-west/somerset/bath-and-north-east-somerset
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX A

Polling Districts and Polling Places Review Timetable	
DATE	**TASK**
17 September 2018	Publish notice of holding a review
17 September 2018	Notify elected representatives, disability groups, parish councils and other stakeholders
17 September 2018	Start public consultation
22 October 2018	Finish public consultation
23 October 2018	Publish representations made by the Acting Returning Officer
23 October 2018	Publish any representations made in connection with the review
26 October 2018	Complete the review
08 November 2018	Approve new polling district and polling places scheme
12 November 2018	Publish details of new polling scheme
1 March 2019	Electoral Registration Officer publishes revised register under new ward boundaries and new polling district boundaries

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Bath & North East Somerset Council		
MEETING:	**Council**	
MEETING DATE:	**13 September 2018**	:
TITLE:	**Establishment of Joint Venture Partnerships**	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Illustration of proposed Joint Venture Structure		

1 THE ISSUE

1.1 *To agree the establishment of Joint Venture Partnership(s) with other public bodies for the purpose of delivering local housing developments subject to specific business cases for each Joint Venture.*

2 RECOMMENDATION

The Council is asked to;

2.1 Agree the principle of the establishment of Joint Venture Partnership(s) with other public bodies for the delivery of local housing developments both inside and outside the Council's area.

2.2 Delegate to the Leader of the Council, in consultation with the Chief Executive, S151 Officer and Monitoring Officer authority to enter into Joint Venture Partnerships subject to business case and establishment of appropriate governance arrangements in line with those agreed for Council companies.

2.3 Delegate to the Commercial Director all such matters as are necessary to set up, operate, manage and monitor approved Joint Ventures in line with the Council's approved governance arrangements for Council companies.

2.4 Agree the allocation of up to £10K from the Transformation Revenue Reserve to meet Council legal costs for the setup of the JV.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The Council has agreed income generation targets within its's Medium Term Service and Resource Plan of £650,000 per annum to be generated by its local authority housing development company (ADL). This target cannot be achieved and sustained without the establishment of medium term land supply and development opportunities for the company.

3.2 The establishment of Joint Venture Partnership(s) will provide a share of profits from such joint venture developments to this Council helping to provide a more diversified and sustainable source of income.

3.3 In addition to a profit share, the Council will receive a commercial management fee for the services it provides into the joint venture (via a sub-contact with ADL).

3.4 The joint venture in the form of a Limited Liability Partnership would ensure risks are ringfenced within the JV and the Council's liability would not exceed its initial very limited investment.

3.5 It is proposed to make available up to £10K from the Council's Transformation Reserve for set up legal costs of the Joint Venture Partnership(s) and contracts for service(s).

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The basis for the proposal set out in this report, seeks to establish a Joint Venture Limited Liability Partnership(s) in line with the power of the Council to provide professional and technical services to another public body pursuant to S.1(1) of the Local Authorities (Goods & Services) Act 1970**.** The Council will need to ensure arrangements are in place for suitable governance of the LLP including all relevant company statutory and accounting requirements.

5 THE REPORT

Local Authority Housing Development Companies

5.1 Over the past few years, local authorities have increasingly been setting up their own companies to develop private sector housing. The drivers to do so have predominantly been around delivering commercial returns to support the increasingly challenging financial position, but other factors like delivery, control over development, sustainability and affordable housing have all come into play.

5.2 In December 2015 the Cabinet approved the establishment of a B&NES owned company (Aequus Developments Ltd) *to "develop, deliver, own and manage property as well as new development on a case by case basis".* This company has been operating for just over two years and its first large development via its construction subsidiary (ACL) will deliver 95 Units at Riverside View, Keynsham. This will provide significant capital and revenue financial returns to the Council as well as helping to regenerate this area of Keynsham.

5.3 Other neighbouring councils have previously established, or are considering the establishment of, LA Housing Development Companies although none of these have progressed to actual delivery and they face a number of challenges to do so, including governance, capacity and expertise.

Aequus Developments Ltd (ADL)

5.4 ADL and its subsidiary (Aequus Construction Ltd) are wholly owned by the Council as set out in Para 5.2 above. The focus of their activity has been twofold:

I. ADL focusing on the refurbishment and private rental sector letting of vacant properties above the Council commercial estate.

II. ACL focussing on new development sites initially on land owned by the Council which may be suitable for development but also more recently the acquisition of sites with planning permission in place.

5.5 ADL and ACL are overseen by a Board of experienced professionals to run the Company as Executive and Non-Executive directors bringing a wide range of commercial, development, financial and management expertise. The Board runs the day to day affairs of the companies and are accountable to the shareholder B&NES, which sets the policy and provides overview and scrutiny of all its activities

5.6 This development of this expertise in governance and operation of these construction and developments companies within a local authority setting provides an opportunity to support other public bodies to deliver similar projects through appropriate partnership arrangements.

Joint Ventures

5.7 Historically councils have traditionally sold any surplus land they hold to developers (with or without planning permission). This simple route would normally ensure a best value capital receipt, with risk and control of the land and development passing to the purchasing developer.

5.8 This approach has increasingly identified a number of challenges for local councils, most notably the increasing shortage of housing delivery with developers incentivised to manage supply to maximise shareholder returns. This issue, together with the potential to provide further financial returns and control over development sites has led to an increase in the number of local authorities seeking to set-up their own housing development companies or joint ventures.

5.9 There is a considerable amount of process, governance and early development work required when establishing a new local authority company, together with a requirement for one-off investment to put this in place. One way to potentially reduce this burden and speed up the delivery is to set up a joint venture with an established partner.

5.10 There are three key components in considering any joint venture for housing development:

i. Availability of suitable development land,

ii. Availability of funding,

iii. Capacity, expertise and skills to manage and deliver the development.

5.11 A joint venture would bring together partners with these key elements to facilitate development to the respective and proportionate benefit of all parties within the join venture.

Joint Ventures Partnership(s) With Other Public Bodies

5.12 The Council has become aware of a number of our neighbouring councils (Mendip District Council, North Somerset Council and South Gloucestershire Council) who are interested in establishing a joint venture with this Council for the purposes of local housing delivery. The basis of this interest recognises their ability to provide both land and funding to a housing joint venture partnership but are lacking the immediate capacity and expertise to deliver. This Council has the ability through its housing and development company (ADL) to meet this need.

5.13 Discussions have taken place with these neighbouring councils and some initial work has been undertaken by our external legal and financial advisors to identify the potential approach, and form, such a Joint Venture Partnership might take. The advisors explored several options but have concluded that a Limited Liability Partnership (LLP) provides the best option to deliver a Joint Venture for the purposes intended. The advantages of the LLP approach are as follows:

- It will provide a limited liability structure to ensure the risks of the local housing developments are ring-fenced within the joint venture. The Councils liabilities will be limited to their minimal initial investment.
- It is a relatively simple structure to establish.
- It facilitates the simple transfer of land /funding and management/expertise between the respective partners through the joint venture.
- Any profits are distributed in agreed proportions (recognising the respective contributions) to the partners before taxation wherein, the local authority exemption from corporation tax would apply.
- The structure is Teckal compliant meaning, contractual arrangements between the LA partners and the joint venture are not subject to procurement. All contracts let by the joint venture would be subject to public procurement rules in the usual way.

5.14 In summary the proposed Joint Venture Partnership would therefore take the form of an LLP with the partner council (or other public body) providing both land and funding and B&NES providing management and delivery expertise for the LLP using its company, ADL. The diagram at Appendix 1 provides a pictorial representation of the proposed Joint Venture Partnership.

Governance and Process

5.15 The Joint Venture would be subject to appropriate governance including relevant company documentation to clearly set out the basis of the partnership and the operating framework for the Joint Venture, including any reserved matters considered appropriate by the partners.

5.16 The Council has already agreed the basis of its future company governance arrangements and the new Joint Ventures would be subject to meeting these requirements working with the relevant local authority partner. We would also make use of the extensive legal and financial arrangements we have already set in place for our own company ADL.

5.17 The key stage in establishing any Joint Venture Partnership will be the consideration and approval of the associated Development Business Case. It is proposed that all such Business Cases will be subject to the “double lock” approval process already established for ADL. In this case, the Business Case will require the Approval of both Partners to the joint venture, taking whatever further advice and guidance they feel appropriate, before a Joint Venture may proceed.

5.18 It is proposed that the specific details for the establishment of suitable governance arrangements together with the approval of business cases for the establishment of any joint venture partnership(s) is delegated to the Leader of the Council, in consultation with the Chief Executive, S151 Officer and Monitoring Officer.

5.19 The day to day oversight of such Joint Venture Partnership(s) are proposed to fall within the remit of the Council’s new Commercial Director with the statutory officers fulfilling their normal roles in this regard.

6 RATIONALE

6.1 The proposed Joint Venture LLP(s) will enable the Council to sustain its medium term financial plan targets for this activity and support neighbouring councils in partnership working arrangements.

6.2 The arrangements are based on external legal and financial advice seeking to minimise risk whilst delivering maximum benefit for the partners.

7 OTHER OPTIONS CONSIDERED

7.1 A range of options have been considered for potential joint venture arrangements including company limited by share, company limited by guarantee, contractual joint venture and community interest company. External legal and professional advice was taken in arriving at the preferred option for the reasons set out in para 5.13 above.

7.2 Each of the potential partner councils have considered alternative arrangements including setting up their own housing and development companies. These could still be progressed for some sites by each of them, however the benefits of moving forward quickly to deliver, has identified a joint venture with this Council as a priority option for some of them.

8 CONSULTATION

8.1 Informal discussions have taken place with the potential Joint Venture Partners in arriving at the proposals set out in this Report. The Council’s Statutory Officers have been consulted together with the Council Leader.

8.2 Meetings have also taken place with the West of England Combined Authority and Homes England.

9 RISK MANAGEMENT

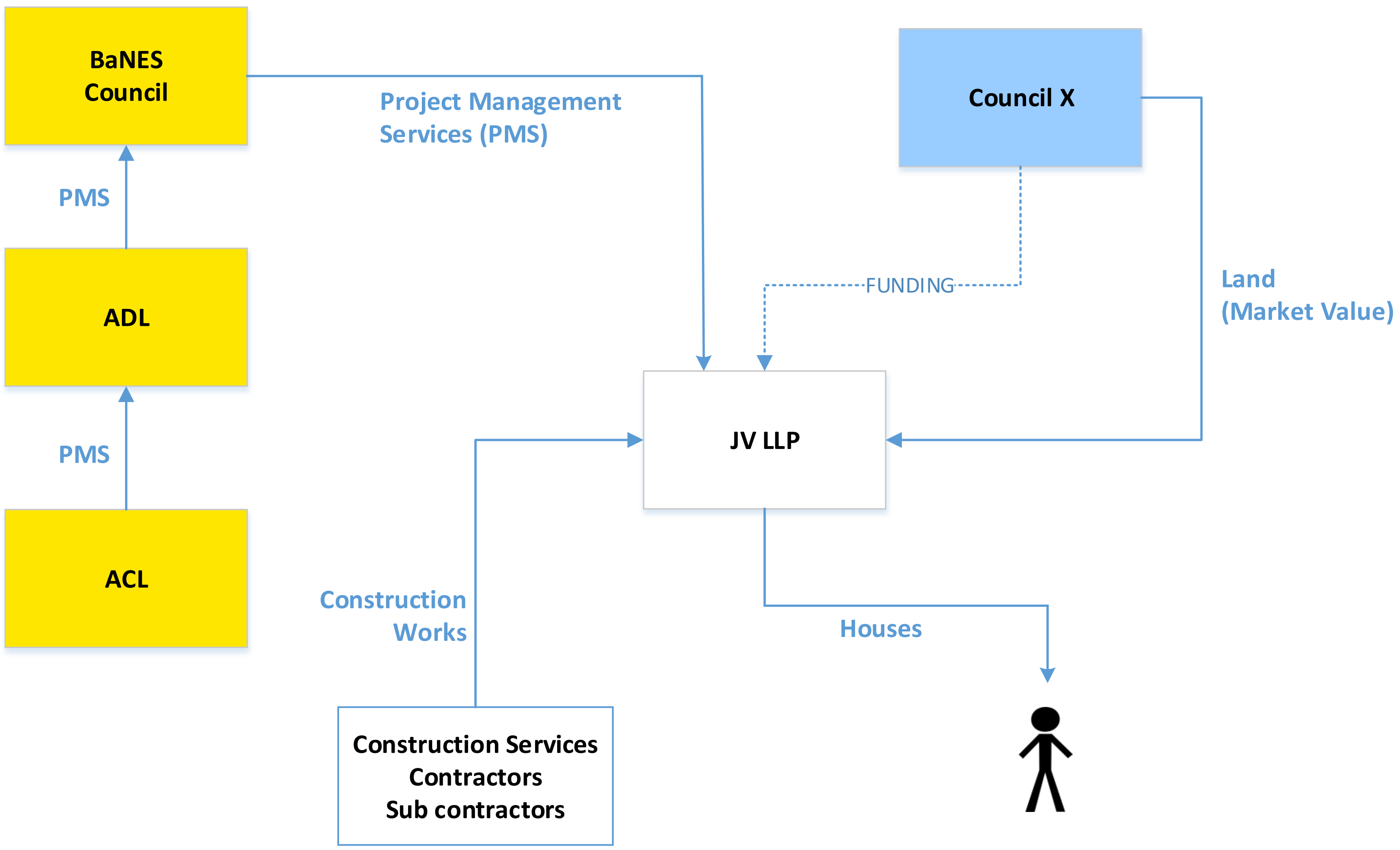
9.1 All business cases for proposed developments will include a full risk assessment and be subject to the “double lock” approval process as set out in para 5.17.

9.2 The Limited Liability Partnership approach is recommended as this ring-fences the specific development risks within the joint venture. The Council’s liability is capped at the minimal level of its initial investment into the joint venture partnership.

Contact person	*Tim Richens, Commercial Director – Tel 01225 394367*
Background papers	*List here any background papers not included with this report, and where/how they are available for inspection.*
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

JV – Commercial Entity
Non-Contracting Authority



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Council 13 September, 2018

Permitted Development for Shale Gas Exploration and Inclusion of Shale Gas Production in the Nationally Significant Infrastructure Project Regime

Labour Group to move:

Council notes that:

1 Currently fracking companies are required to apply for planning permission from the local authority to drill or sample a well. They also have to apply for planning permission from the local authority to undertake shale gas production.

2 The Ministry of Housing, Communities and Local Government is consulting on whether proposals for non-hydraulic shale gas exploration should be granted planning permission through a permitted development right.

3 The Ministry of Housing, Communities and Local Government is also consulting on whether to include major shale gas production projects in the Nationally Significant Infrastructure Project regime. This would mean that the Secretary of State would automatically become the decision-maker for determining an application for future shale gas production projects meeting certain criteria.

Council believes that:

4 The local planning process is one of the main ways in which communities can express their views about what happens in their area. Permitted development significantly reduces the potential for local people to comment on a development.

5 It is important that local councils have a say in whether shale gas exploration goes ahead as this activity could result in significant local impacts such as increased traffic, noise and lighting as well as damage to the ecology and visual landscape of an area.

6 Shale gas production is highly controversial with the potential to significantly impact on local communities. Decisions about these developments should continue to be made by democratically accountable local planning authorities and not as part of the Nationally Significant Infrastructure Project regime.

Council agrees:

7 To ask the Leader of Council to:

a) Respond to the consultation with the view that, for the reasons above, this Council opposes permitted development rights for shale gas exploration and the inclusion of major shale gas production projects in the Nationally Significant Infrastructure Project regime; and

b) Write to our local MPs asking for their support in opposing these proposals.

8 In the event that permitted development rights for shale gas exploration are introduced, to explore the potential for an Article 4 Direction to remove these permitted development rights from shale gas exploration in this area.

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Bath and North East Somerset Council

Full Council meeting, Thursday 13 September 2018

Liberal Democrat Motion on Autism Awareness

To be proposed by Councillor Tim Ball

Council notes:

1. Around 700,000 people in the UK are on the autism spectrum. That is more than 1 in 100. If you include families, autism is part of daily life for 2.8 million people. In addition many are still undiagnosed.
2. Autism is a hidden disability – you cannot always tell if someone is autistic. The right support at the right time can make an enormous difference to people's lives. 17% of autistic children have been suspended from school. 70% of adults say they are not getting the help they need from social services and that with more support they would feel less isolated. At least one in three experiences severe mental health difficulties due to lack of support. Only 32% are in some kind of paid work.
3. Public awareness of autism is growing but many people are unaware of the challenges faced by people on the autism spectrum and their families.
4. Thousands of children are undiagnosed until later in life, and many adults have suffered from lack of diagnosis and the right understanding and support for much of their life. Many end up in our prison systems or are homeless. Many have never had the right support or opportunity to be employed. Children need to be assessed early and, if autism is suspected, get the right support in a timely way. This currently does not happen, leaving families unable to get the help and support required to enable the young people to understand their condition and reach their potential and for families and teachers to make the necessary adaptations to support them.
5. The efforts made by local organisations and businesses, such as the Roman Baths, which has been recognised by the Autism Society, and the introduction of 'quiet shopping hours' in supermarkets are welcomed. But it should go much further.

Council resolves to:

6. Encourage our partners in Virgin Care and CAMHS to diagnose autism as early as possible to ensure that help and training available are to all people diagnosed with autism and their families in order to ensure that they are best able to cope with their condition.
7. Request that the Leader of the Council writes to the Minister concerned to ensure that autism is recognised in our criminal justice system.
8. Consider carrying out an audit of Bath and North East Somerset Council services for autistic people to ensure that they are easily understood and are fit for purpose. Encourage organisations and companies in Bath and North East Somerset to include autism awareness in their training programmes if they do not already do so, particularly for members of staff who deal directly with members of the public.

9. Request that all public-facing Council departments ensure that Bath and North East Somerset Council acts as a best practice exemplar when working with people with Autism.
10. Encourage our partners in the CCG to ensure that the Autism Partnership meets regularly and works to make concrete improvements to the lives of autistic people and those working with them and supporting them.
11. Ensure we are compliant with the requirements of the Autism Act statutory guidance, March 2015.
12. Consider supporting the ‘Too Much Information’ Autism Hour in its own premises (6 – 13 October 2018).