



**NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 19 SEPTEMBER 2013**

Held at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford

PRESENT:

Councillors G S Moore (Chairman), N A Brown, J E Cottee, A M Dickinson, R Hetherington, K A Khan, E A Plant, J E Thurman and H Tipton

ALSO IN ATTENDANCE:

Councillor J N Clarke
Councillor J A Cranswick
J Cornett KPMG
T Enticott KPMG
M Riley RSM Tenon
T Tandy KPMG

OFFICERS PRESENT:

A Goodman Member Support Officer
P Linfield Service Manager - Finance and Commercial
P Steed Executive Manager - Finance and Commercial
D Swaine Executive Manager – Operations and Corporate Governance

APOLOGIES FOR ABSENCE:

There were no apologies for absence

12. Declarations of Interest

There were none declared.

13. Notes of the Previous Meeting

The notes of the meeting held on Thursday 6 June 2013 were accepted as a true record.

14. Approval of the Statement of Accounts 2012/13 and External Auditor's Report to Those Charged with Governance 2012/13

The Executive Manager – Finance and Commercial presented a report outlining the Council's statutory Statement of Accounts for 2012/13. He was pleased to inform the Group that there had been few amendments made to this year Accounts following the Audit. He drew Members' attention to the breakdown and explanations of the variations contained within Appendix B of the report. In respect of the revenue account he stated that the Council had made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council had achieved a balanced budget and a net transfer of £610,000 into Reserves, including £462,000 of New Homes Bonus.

In relation to the Council's Capital Programme 2012/13 the Council had spent £5.5m compared to an overall Capital Programme of £7.6m. Of the remaining £2.1m, £1.9m was committed to on-going Capital Schemes and had been carried forward into the 2013/14 Capital Programme.

In regard to a query about the Council's liabilities and funding for pensions the Executive Manager – Finance and Commercial referred Members to Section 21 - Unusable Reserves contained within the Statement of Accounts.

In response to a question regarding investment properties the Executive Manager – Finance and Commercial informed Members that the Council followed the CIPFA policy in the preparation of the Accounts and referred Members to Section 10 – Financing and investment Income and Expenditure.

Mr Cornett presented the External Auditor's Report to those Charged with Governance (ISA 260) 2012/13. He informed Members that the report summarised the key issues identified during the audit of the Council's financial statements for the year ending 31 March 2013 and an assessment of the Authority's arrangements to secure value for money in its use of resources. He anticipated issuing an unqualified audit opinion by 30 September 2013 and confirmed that the wording of Annual Governance Statement accorded with his understanding of the Council's governance arrangements. As part of the audit process, one error had been identified and the financial statements had been adjusted to correct the error.

Mr Cornett reported that over the last year, the Council had invested considerable effort and resources into building capacity within the finance team and developing strong processes for the production of the accounts. The financial statements were made available for audit in advance of the 30 June statutory deadline and the working papers presented to support the audit of the statements were of a high quality. He extended his thanks to officers who had dealt efficiently with audit queries and the audit process had been completed within the planned timescales.

Members were informed that the Audit team had worked in partnership with the Council's officers throughout the year to address any potential areas of risk and all issues had been addressed appropriately. He confirmed that the Authority's control environment was effective and controls over the key financial systems were sound. Following the Council meeting on 26 September and the signing of the letter of representation he assured Members that he would issue his unqualified opinion prepare the Annual Audit Letter and close the accounts. He stated that his Value For Money conclusion was that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

The Chairman thanked Mr Cornett and his team for attending the meeting and answering Members questions. On behalf of the Group he congratulated the finance team on producing a clear set accounts within the given timescales.

It was AGREED that the Group

- a. Accepted the Statement of Accounts for 2012/13 and recommended them to Council for approval,

- b. Endorsed the Draft Management Representation Letter, and
- c. Supported the External Auditor's Report to Those Charged with Governance 2012/13 and forwarded it to Council for endorsement.

15. Internal Audit Annual Report 2012/13

Mr Riley, a representative from RSM Tenon, the Council's internal auditors, informed Members that seven reports had been finalised since the last meeting of the Group and that all the 2012/13 work was now completed. He informed Members that the assurance level for Partnerships and Development Control audits was green, the highest achievable. The audits of Governance, Debtors and Payroll had been given an assurance of amber/green and the areas of Risk Management and Insurance had been scored amber/red. There was only one high risk recommendation from the seven audits for the area of Debtors.

Mr Riley informed Members that Baker Tilly had taken on the trading business of RSM Tenon and that there should be no impact on the internal audit service provided to the Council.

In response to questions Members were informed that the amber/red assurance rating given to the audit of the main accounting system in March 2013 was based on the eight recommendations made at that time and did not have any impact on the Statement of Accounts. In respect of Risk Management officers were currently reviewing the risk strategy and the actions arising from the audit recommendations.

Mr Riley presented the Internal Audit Annual Report for 2012/13 that included an overall assessment of the assurances to Members and officers arising from their work last year. He drew Members' attention to the Internal Audit Opinion which stated that the adequacy and effectiveness of the Council's arrangements in terms of Governance, Risk Management and Control. The areas of Governance and Control had been given an assurance rating of green, the highest achievable and the area of Risk Management had been rated amber. Members were informed that due to on-going changes being made by the Executive Manager – Operations and Corporate Governance the amber status allocated to Risk Management had been anticipated and reflected work that was already underway to improve internal arrangements. An update on Risk Management, including the outcomes of such work, will be reported to the next meeting of the Group on 7 November 2013.

Mr Riley reported that all high and medium risk recommendations that had been made during the year had been accepted by Management and although some low risk recommendations had not been agreed they did not pose any significant risk. In respect of the follow up of the recommendations made in 2011/2012, the Council had made good progress in implementing the agreed recommendations.

It was AGREED that Final Progress Report 2012/13 and the Annual Report 2012/13 be noted.

16. **Internal Audit Progress Report 2013/14**

Mr Riley, a representative from RSM Tenon, the Council's internal auditors, informed Members that in line with the audit plan, three reports had been finalised since the last meeting of the Group, for the areas of Commercial Property Portfolio, Home Alarm Scheme, and Transformation and Cost Savings. He informed Members that the assurance level for all three audits was green, the highest achievable and that there was only one medium risk recommendation from the audit of Commercial Property Portfolio. There were currently two audits at the draft stage for Bingham market and Governance – Compliance with Expenses Policy and these would be presented to the next meeting of the Group in November.

It was AGREED that the Internal Audit progress Report 2013/14 be noted.

17. **Proposed Changes to Constitution - Member Champions**

The Executive Manager - Operations and Corporate Governance introduced the report setting out details of the proposed introduction of 'Member Champions' to support relevant Cabinet Portfolio Holders as necessary. He explained that at its meeting on 9 July Cabinet had considered the issue and agreed to refer the matter to the Corporate Governance Group in order that the necessary changes to 'Article 7 - The Cabinet', within the Council's Constitution could be determined. These proposed changes would then be referred to Council for approval.

By reference to the report the Executive Manager - Operations and Corporate Governance indicated that it was intended that the role of the 'Member Champions' would be to complement and support the responsibilities of Cabinet Portfolio Holders. He added that the roles would carry no additional allowance and as such they would not be reflected in the Council's Members' Allowance Scheme.

Commenting further the Executive Manager - Operations and Corporate Governance referred to paragraph four of the report which set out the role of the 'Member Champions' and paragraph five which highlighted the themes, or areas of work, where they might support a Cabinet Portfolio Holder. He explained that details of the required changes to the Council's Constitution were set out at paragraphs seven to ten, with Appendix A highlighting the proposed changes by way of underlined text.

The Chairman indicated that at this point in the meeting he wished to invite the Vice Chairman, Councillor Plant to speak. He explained that he had been contacted by Councillor MacInnes who indicated that he had written to the Executive Manager - Operations and Corporate Governance seeking clarification on a number of points in relation to the proposals in the report. Consequently he had agreed with Councillor MacInnes that details of these queries, and the responses provided would be circulated at the meeting in order to assist the deliberations.

Councillor Plant indicated that in order to assist the Group she would talk through the key points as set out in the paper now circulated. She stated that the primary concern was the issue of how the role of a 'Member Champion'

would conflict with role a Councillor had as a member of a scrutiny committee. Because of this conflict she believed that changes were also required to other parts of the Council's Constitution, particularly the rules of procedure for the Overview and Scrutiny function. This was in order to determine whether the 'Member Champions' would maintain an eligibility to serve on Scrutiny Committees and address the potential conflict arising from scrutinising decisions they had been directly involved in.

Commenting further Councillor Plant stated that the process for appointing the 'Member Champions' inferred they were controlled by the Leader and this would compromise their ability to scrutinise with objectivity. She believed the role would undermine the scrutiny function and she sought clarification as to whether it was intended to enable 'Member Champions' to be questioned when a Cabinet decision was called-in. In terms of the role of supporting the Cabinet Portfolio Holders Councillor Plant referred to the recent Electoral Review of the Borough which proposed a reduction from 50 to 44 Councillors. In view of this she said she was unable to understand why additional support was required if the intention was that less Councillors were needed.

At the request of the Chairman, the Executive Manager - Operations and Corporate Governance responded to these points as follows. In respect of the issue of a potential conflict of interest he stated that the 'Member Champions' were not members of the Cabinet. Therefore the proposed changes to the Constitution were consistent with the Local Government Act 2000 which indicated that Members of the Executive may not be members of overview and scrutiny committees. He added that it was important to consider that the role carried no additional allowance and that they had no decision making powers, consequently they should not be regarded as part of the Executive. On this basis they would not, and could not be directly involved in taking decisions which was the responsibility of Cabinet.

Commenting further the Executive Manager - Operations and Corporate Governance stated that as the 'Member Champions' were not part of the Executive they would still be able to participate in scrutinising decisions of the Cabinet if this was necessary. Additionally principles and provisions within the Councillor Code of Conduct relating to 'Integrity', 'Objectivity', 'Openness' and 'Honesty' suggested a view point that there were controls in place to ensure that any Councillor should act in a way that protects the public interest should a conflict arise. On this basis it would be for individual Councillors, if acting as a 'Member Champion' to determine if they should be involved in the Scrutiny process. When considering this it would be important for them to give regard to their role, the provisions within the Code of Conduct and also the level and detail of their involvement in the process so far. However, it would be equally important for them to give regard to the fact that they did not have any decision making authority and were not a member of the Council's Cabinet.

In response to the comment about the 'control' of the 'Member Champions' the Executive Manager - Operations and Corporate Governance referred to paragraph 7.3 within Appendix A to the report. He explained that this set out the arrangements for their appointment and no reference was made to the issue of their control.

With regard to the issue of 'Member Champions' being questioned at a scrutiny call-in exercise he stated that it was not proposed to make any changes to the existing arrangements. This was because they were not members of the Cabinet and had no decision making powers. In respect of the Electoral Review of the Borough and the reduction in the number of Councillors it was important to consider that this related to the electoral equality. Whilst Councillors' roles and responsibilities had formed part of the Council's initial submission for the review process it was not the fundamental principle upon which the reviews findings were based.

Councillor Dickinson commented that it appeared the introduction of 'Member Champions' was based on the principle of an increased workload for Cabinet Members. However if this was the case it might be more appropriate to increase the number of Cabinet Members or alternatively consider a reversion to the Committee structure. She added that she believed the 'Member Champions' should get a special responsibility allowance within the Members' Allowance Scheme.

Councillor Khan indicated that he supported the proposal in principle, but he thought the role of the 'Champions' was too vague and as such could be further developed. He stressed that he was not against the idea but believed it should be considered in more detail in order that the expertise of all Councillors was utilised to further inform the concept.

Councillor Cottee referred to the document circulated and stated that it would have been helpful to have received this in advance of the meeting. However, he believed the information within it was helpful and had assisted in the scrutiny exercise. He added that he welcomed the proposal and he held the view that the 'Member Champions' would assist Cabinet Members and enhance wider member involvement by championing the cause for particular themes and topics.

In conclusion the Chairman stated that the matter had been properly scrutinised and the paper circulated had assisted and informed the process. He added that the responses of the Executive Manager - Operations and Corporate Governance had aided the discussion and helped the Group consider the matter in detail, particularly in respect of potential conflicts of interest and the role of 'Member Champions' in the scrutiny process.

At the request of the Chairman the Executive Manager - Operations and Corporate Governance reiterated that the proposed changes to the Constitution were consistent with the Local Government Act 2000 and 'Member Champions' were not members of the Cabinet. They had no decision making powers and should not be regarded as part of the Executive. In terms of the potential conflict of interest issue the principles and provisions within the Councillor Code of Conduct indicated there were controls in place to protect the public interest should a conflict arise. However, it would be for individual Councillors as a 'Member Champion' to decide if they should be involved in the Scrutiny process.

It was AGREED that the proposed changes to 'Article 7 – The Cabinet' within the Council's Constitution, that reflected the introduction of 'Member Champions', be referred to Council for approval.

18. Revenue and Capital Budget Monitoring September 2013

The Group considered the report of the Executive Manager - Finance and Commercial that gave details and explanations of significant variances against the profiled budget to 31 July 2013.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £333,972, with a projected favourable variance of £77,720 for the year. Officers informed Members that the underspend reflected a number of positive variances which, included additional income from a number of major planning applications and the Garden Waste Scheme, and savings from a reduction in costs for the Garage and Streetwise services. Adverse variances included lower levels of rent income for the civic building and severance payments. The projected underspend was in part, due to the receipt of additional income from a number of grants and at the end of the year, the remaining unspent funds would be transferred to the Council Assets and Service Delivery Reserve.

In respect of the Capital budget monitoring, the report indicated a net underspend of £8,212 to the end of July 2013, with a projected favourable variance of £573,000 for the year. The main projected underspends related to £275,000 from the vehicle replacement programme, £49,000 in relation to repayment of decent homes grants, £92,000 from deferred leisure projects and £23,000 relating to the new cash receipting system that had been recharged to revenue. Members were informed that the budget for the affordable housing scheme had been increased by an additional £240,000 funded from current and future New Homes Bonus Receipts, as a result of the decision by Cabinet.

It was AGREED that the current projections for revenue and capital, including the potential for additional grant income to be transferred to the Council Assets and Service Delivery Reserve, be noted.

19. Treasury Management Outturn Position 2012/13 and 2013/14 Update

The Service Manager - Finance and Commercial presented the Treasury Management Outturn Position 2012/13 report that, in line with the Local Government Act 2003 and the CIPFA Code of Practice, provided a summary of the transactions undertaken by the Council as part of the Treasury Management function. The report reflected how the Council had invested its money during 2012/13, the rate of return achieved and the Counterparties that had been used.

The Service Manager - Finance and Commercial informed Members that the Council proposed to reintroduce £10 million counterparty limits, as this was more practical than the current 15% limits. As a result higher yields could be earned whilst assuring that the Council's capital remained protected.

Members were informed that to assist with the Council's development of a diverse investment portfolio, Funding Circle and the Local Authorities Property Fund had been added to the approved Counterparties list. These options were already covered within the Council's Treasury Management Strategy as 'non-specified' investments over one year.

The Service Manager - Finance and Commercial explained that the Funding Circle was a company which provided Local Authorities with an opportunity to invest in small and medium enterprises with good credit ratings, which were looking to access peer funding. Funding Circle already attracted funds from Central Government, who funded 20% of all loans made. Nottinghamshire County Council had recently announced that it intended to provide funding through this route in future. Investment in the Funding Circle would be limited to companies located in Rushcliffe and the total invested through this mechanism would not exceed £500,000.

The Local Authorities Property Fund was a pooled investment fund which was managed by CCLA. The Property Fund was designed to achieve long term capital growth and rising income from investments in the commercial property sector. At the advice of Arlingclose the Council's treasury advisors, investments would be limited to £3million for a period of three to five years due to the volatility that existed within the property market.

In response to questions, Members were informed that the decision on whether to invest in the Funding Circle and the amount of investment, was a treasury decision, and as such, would be made by either the Executive Manager - Finance and Commercial or the Services Manager - Finance and Commercial.

It was AGREED that the report and the amendments to the counterparty limits be noted

20. **Work Programme September 2013**

The Group considered the report of the Executive Manager – Operations and Corporate Governance that set out details of the proposed work programme for the municipal year 2013/14.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
7 November 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Annual Audit Letter • Revenue & Capital Budget Monitoring • Treasury Management Update • Health and Safety Interim report • Risk Management Update • Work Programme
6 February 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Treasury Management Update and Presentation • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
23 April 2014	<ul style="list-style-type: none">• External Audit Plan 2013/14• Certification of Grants and Returns – Annual Report 2012/13• Internal Audit Progress Report 2013/14• Internal Audit Strategy 2013/14• Risk Management Update• Work Programme

The meeting closed at 8.55 pm.

Action Sheet
Corporate Governance Group - Thursday 19 September 2013

Minute Number	Actions	Officer Responsible
13 Notes of the Previous Meeting	None	
14 Approval of the Statement of Accounts 2012/13 and External Auditor's Report to Those Charged with Governance 2012/13	None	
15 Internal Audit Annual Report 2012/13	None	
16 Internal Audit Progress Report 2013/14	None	
17 Proposed Changes to Constitution - Member Champions	None	
18 Revenue and Capital Budget Monitoring September 2013	None	
19 Treasury Management Outturn Position 2012/13 and 2013/14 Update	None	
20 Work Programme September 2013	None	