Rushcliffe
Borough Council

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 7 NOVEMBER 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, Mrs M Stockwood (Substitute for J E Thurman) and H Tipton

ALSO IN ATTENDANCE:
Councillor J A Stockwood
M Riley Baker Tilly

OFFICERS PRESENT:

A Goodman	Member Support Officer
P Linfield	Service Manager - Finance and Commercial
K Marriott	Executive Manager - Transformation
P Steed	Executive Manager - Finance and Commercial
D Swaine	Executive Manager – Operations and Corporate Governance
J Wilkinson	Health & Safety Advisor

APOLOGY FOR ABSENCE:
Councillor J E Thurman

21. **Declarations of Interest**

There were none declared.

22. **Notes of the Previous Meeting**

The notes of the meeting held on Thursday 19 September 2013 were accepted as a true record and that the Group notes the comments of Councillor Dickinson regarding the content of the minutes and questions/comments she raised in respect of the Approval of the Statement of Accounts 2012/13 and the External Auditor's report.

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

Mr Riley, a representative from Baker Tilly, the Council's internal auditors, informed Members that in line with the audit plan, two reports had been finalised since the last meeting of the Group, for the areas of Bingham Market and Housing Benefits. He informed Members that the assurance level both audits was green, the highest achievable and that there was only two medium risk recommendations from the audit of Bingham Market. There were currently six audits at the work in progress or draft stage for the areas of Governance –

Compliance with Expenses Policy, Strategic Housing Capital, Income and Debtors, Purchase Ordering and Creditors, Community Facilities and Risk Management which would be presented to the next meeting of the Group in February 2014.

In order to contribute towards the Council's budget restraints Baker Tilly had agreed to reduce the 2013/14 audit fees by £2,550 and were currently reviewing the costs for 2014/15 as part of the budget process.

In relation to the recommendation that all current permanent traders should be re-issued with new licences, Mr Riley, reported that there was a system in place, however discrepancies had been identified with the records. He stated that it would be beneficial to issue all traders with a new licence, which was valid for a fixed period, with a clearly identified expiry date.

Following a question regarding the frequency of checks on the licenses of casual traders at Bingham Market, the Executive Manager - Transformation agreed to investigate further and report back to the Group.

Action **the Executive Manager – Transformation to further investigate the frequency of checks on the licenses of casual traders at Bingham Market**

Following concerns regarding public liability insurance, Members enquired whether charitable organisations that used the area below the Buttercross were required to hold their own insurance or if they were covered by the Council's. Members asked what level of cover the Council required from the stall holders and whether this was checked on a regular basis. The Executive Manager – Transformation confirmed that the traders were required to hold public liability insurance and agreed to further investigate the other issues and report back to the Group.

Action **the Executive Manager – Transformation to further investigate the issue of public liability insurance at Bingham Market.**

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

24. **Health and Safety Interim Report 2013**

Members considered the Health and Safety interim Report that set out the Council's occupational health and safety performance for the period April 2013 to September 2013. The report highlighted the key issues that elected Members needed to be aware of including details of new policies that had been implemented as part of the control measures within the corporate health and safety framework. Furthermore, the report provided an indication of the effectiveness and success of the health and safety control measures the Council had in place, evidence of training delivered, progress towards meeting health and safety aims and objectives, and the number of accidents recorded.

The Health and Safety training needs of the Council's employees were identified in a number of ways including; Personal Development Reviews (PDR's), regular one to ones, team meetings and through the Executive Management Team. It was the role of the Health and Safety Advisor to ensure that training was consistent with the Council's duties and legal responsibilities. All health and safety training needs that had been identified in PDR's for this year had been delivered or were programmed in to be completed by the end year. A rolling training programme was produced each year, which provided regular refresher training for existing employees, mandatory induction courses for new employees and significant practical on the job training and tool box talks

The Health & Safety Advisor explained that the Council had four health and safety groups in place, the Executive Health and Safety Group, the Employee Health and Safety Group, the One Great Depot Group and the Legionella and Asbestos Management Group, to ensure that there was a corporate approach to relevant issues.

The report stated that in line with its health and safety duties and responsibilities, the Council had a programme of policy review and implementation to support effective health and safety management. In accordance with the objectives agreed by the Group in June 2013, reviews of the Risk Assessment Policy and Control of Substances Hazardous to Health (COSHH) Policy were at first draft and ready for consultation and work had commenced on the review of the Display Screen Equipment. A Training Needs Analysis on health and safety training provided had been completed in July 2013 and appropriate action had been taken to meet any needs that were identified.

The Health & Safety Advisor reported that the number of accidents to employees was comparable with the figures for the same period in the previous two years. This was encouraging as the last two years' total annual figures were low in comparison to previous years. As requested by Members, details of establishment figures had been added to the report so that this could be taken into consideration when comparing accident rates.

The number of days absent from work as a result of an accident whilst at work had decreased significantly when compared to the same time period for 2012, but was comparable with 2011. The highest number of days absent from work due to a single incident was 13 days, due to a broken bone in the employee's finger. The accident was reported to the Health and Safety Executive, as required by the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) legislation and no further action was taken.

In respect of the accident figures for the leisure centres, Members were reminded that, as these facilities were privately managed, responsibility for the health and safety lay with the companies that delivered the services. However as part of the work to oversee the delivery of the leisure contracts, and the contract management process the Council continually monitored the figures.

For the six month period from April 2013 to the end of September 2013 there had been 254 accidents by members of the public, compared to 233 for the same period in 2011/12 against a total usage of 679,907. Furthermore it was recognised that the figures included injuries sustained during sporting activities such as swimming, football and racquet sports, which were often outside the control of the leisure provider. The health and safety policies and practices of the leisure providers were closely monitored and scrutinised as a part of the regular meetings at both operational and strategic level. Each Leisure provider also reported annually to the Performance Management Board which compared their performance in relation to ten strategic objectives.

It was AGREED that the Group endorse the Six Month Health and Safety Update.

25. **Potential Relocation of the Civic Centre and Funding Models for the Development of the Arena Site**

The Executive Manager - Finance and Commercial gave a presentation to the Group on the potential relocation of the Civic Centre and funding models for the development of the Arena site. He reminded Members that, at its meeting on the 10 January 2012, Cabinet had considered the findings of the Leisure Facilities Strategy Member Group, which identified the desirability to consolidate the existing leisure facilities within West Bridgford onto the Rushcliffe Arena site. Subsequently on 15 October 2013, Cabinet considered a further report that outlined a financially viable option and identified preferred solutions for the building design and the funding requirements. The report also identified that the Arena site could be a potential location for the relocation of the Civic Centre resulting in a combined office / leisure redevelopment.

Cabinet agreed that a Member Group be set up to consider the leisure elements of the proposal and that consideration of the proposed funding model and relocation from the Civic Centre to the Arena Redevelopment be referred to the Corporate Governance Group for consideration, with the following terms of reference:

Inclusions:

a) To consider the outline business case in relation to the relocation of the Civic Centre to the Arena site;

b) To consider the cost implications of alternate delivery models for a new Civic Office;

c) The financing proposals for the new leisure facility including or excluding a Civic Office.

d) To provide a report on its considerations to Cabinet at its meeting on the 14 January 2014.

Exclusions:

e) Evaluation of the outline business case for the implementation of the Leisure Facilities Strategy in West Bridgford which will be considered by the Leisure Facilities Strategy Member Group.

f) The potential future uses and/or disposal of the current Civic Centre.

g) The concept designs for the replacement Arena site.

The Executive Manager - Finance and Commercial explained that the Group would need to consider whether there was merit in relocating the Council's offices to a smaller facility away from the current Civic Centre and that, if such a move was desirable, was a move to the Arena site desirable in terms of capital build costs and revenue costs?

In response to a question regarding the future use of the current Civic Centre the Group was informed that this was not within the Group's remit as defined by the terms of reference. The Chairman stated that the future of the Civic Centre would be considered by Cabinet at a later date.

Members were informed that there was significant over occupancy of the Civic Centre, as the Council currently occupied 4,000m^2, but only required 2,500m^2. The building was aging and this had a resultant impact on maintenance and the running costs were higher than for a modern building. The use of office space was poor due to building's original design as a hotel. New civic offices would allow for the maximum utilisation of space and would be sympathetic to current and future technology requirements. Costs would be driven down as a new building would be cheaper to maintain and run, and would also facilitate the release of the existing Civic Centre.

In response to a question, the Executive Manager - Finance and Commercial confirmed that the Rushcliffe Community Contact Centre would remain on its current site as the Council's key face to face interface with the public.

The Executive Manager - Finance and Commercial reported that there were three options available to the Council for providing new civic offices. These included a complete new build on a brownfield site, purchasing and renovating an existing building or integrating into the Arena development.

The new build option would allow ultimate freedom to maximum opportunities for innovation to create a building that was fit for purpose, flexible and energy efficient. There was also the potential that this option could be a catalyst for releasing stalled development on the site by enabling other organisations to relocate there. However, there were issues surrounding identifying a suitable location, the cost of the land and build and providing the required amount of car parking spaces.

The option of an alternative site could provide a sustainable affordable building solution by reusing an existing building and there would be no land assembly. However, the space would be less flexible and may require renovation work and extensions to provide the necessary accommodation. There would be reduced energy efficiency gains and a potential shortfall in on-site car parking.

Integrating the new civic offices into the Arena development would provide accommodation that was fit for purpose, flexible, energy efficient and sustainable. This would provide a cheaper option than the others and there would be no land assembly as the Council owned the land. There was already adequate parking at the Arena and staff welfare could be benefited by access to the onsite leisure facilities. However there were likely to be some design compromises and the need for on-going liaison and joint working with leisure provider.

The estimated cost for the provision of a 2,500m^2 office building that combined elements of new build and remodelled part of the current bowling arena was between £1.8 million and £2.5 million. This compared favourably to costs for alternate options of between £4.5 million and £5 million for a new build facility and £2.25 million to £2.75 million for the purchase and refurbishment of an alternate building elsewhere within Rushcliffe.

Members considered the options appraisal that compared the revenue impact against the potential benefits for each of the options. This showed the Arena development to be the best option, as there were no land acquisition costs for new Civic Centre, dual use car parking- offices during day, leisure at weekends and evenings. There would be shared use of facilities leading to economies of scale on some running costs. Staff would get the benefit of access to leisure facilities and leisure provider would get access to additional users which would impact on the management charge. The leisure centre and civic offices would be provided by one building project and space that was currently wasted would be reused.

The Executive Manager - Finance and Commercial explained that, assuming that the Arena was to be redeveloped, the Group would need to consider if the proposals in relation to the Leisure and Office components presented a logical and proportionate solution to the projects funding requirements.

He informed Members that there were three possible methods of funding the project that included the use of the Council's existing reserves, borrowing from the Public Works Loan Board or utilising funds from the New Home Bonus. Based on the recommended solution, it was predicted that funding from the New Homes Bonus would be required over a ten year period from 2013/14 to 2022/23) to meet the build costs of the leisure aspects and that the civic offices would be funded from the Council's reserves.

In response to concerns about the longevity of the New Home Bonus receipts, the Executive Manager - Finance and Commercial explained that if the scheme was withdrawn, it was likely to be replaced by the Government with another funding method of a similar nature. Members felt that the New Homes Bonus receipt should be distributed evenly across the Borough and not only allocated to the West Bridgford area. The Executive Manager – Finance and Commercial reported that the anticipated New Home Bonus receipts from 2017/18 would be in the region of £1,500,000 per annum of which it was proposed to allocate £600,000 to fund this scheme and the remaining balance could be used for other projects within the Borough.

Members queried the use of the New Homes Bonus receipts to fund the project due to its uncertainty and felt that it might be more appropriate to use internal borrowing from the Council's reserves. This would not preclude the Council from borrowing from the Public Works Loan Board in the future if the need arose. In response to a question the Executive Manager – Finance and Commercial stated that up to £4,141,000 could be allocated from relevant earmarked reserves where this project fulfilled the criteria. He reminded Members that the Council needed to maintain a level of reserves that was proportionate to the associated risks that had been identified.

If the option of borrowing in full from Public Works Loan Board was pursued, a total of £6 million would be required for the leisure component and would incur repayments of £396,500 per annum over a 25 year period, based on a fixed rate. A loan of £8.6 million would be required to fund the complete project including the civic offices and this would incur repayments of £568,000 per annum over a 25 year period.

Funds would also be transferred from existing capital projects including £154,000 allocated to Arena and Rushcliffe Leisure Centre projects and £430,000 allocated to the ICT Strategy.

The Executive Manager - Finance and Commercial explained that instead of borrowing from the Public Works Loan Board and paying market interest rates, the Council could finance the project by from existing reserves and repay the funds from the New Home Bonus receipts. However consideration would need to be given to timescales for repayment and the associated risks.

The Group considered the financing proposal as follows:

- Allocate Existing Capital Allocations for Arena and Rushcliffe Leisure Centre to Leisure Scheme (£154,000)
- Examine ICT Strategy and reallocate elements to office scheme where appropriate (value to be determined, assumed £50,000).
- Fund balance of leisure component via internal borrowing from the Council's balances.
- Fund repayment of internal borrowing from future New Homes Bonus receipts (£5,846,000).
- Fund balance of office development via direct payments from relevant earmarked reserves (2,550,000).

In response to a question the Executive Manager – Finance and Commercial explained that the Council currently held £15,000,000 in capital receipts, however it was anticipated that these would be fully allocated in the medium term.

In concluding the presentation, The Executive Manager - Finance and Commercial informed the Group that the Arena option provided a cost effective opportunity for the Council to relocate its core administrative functions and that any new facility was likely to present opportunities to address the shortcomings of the Civic Centre. The benefits of the Arena site approached those obtainable from a new build site and there were significant benefits in respect of welfare and sustainability issues. The Council's balances presented an opportunity for further cost savings to be achieved through the elimination of external borrowing. The New Homes Bonus represented an appropriate income stream for meeting the costs of the Leisure part of the development and the office related elements should be funded direct from reserves.

Members expressed concern that due regard should be given to the historical usage of the site as landfill and felt that further testing should be carried out to mitigate any risks associated with the build. The Executive Manager – Finance and Commercial informed the Group that preliminary testing of the land had already been undertaken and that further tests were scheduled to take place.

Some Members questioned the level of savings identified in the report the Council would achieve by relocating the civic offices to the site. Officers explained that the financial detail within the report was a prudent estimate and that more detailed figures would be available in the future. Members felt that it would have been beneficial if they take into consideration the possible income from any future use of the current Civic Centre when debating this item.

Following questions regarding staff welfare it was noted that the Arena was not as well served by public transport as the current site and that the Council had no obligation to provide any designated car parking. With regard to the Arena it was noted that the existing car park met the needs of the leisure users although it was felt that there was adequate capacity for staff. However, the Executive Manager – Finance and Commercial explained that staff would be entitled to claim mileage to compensate for any additional travel following the relocation for five years. He informed the Group that there would be consultation with staff and partners at the appropriate time.

It was AGREED that, having considered the information reported and the advice of the Council's Section 151 Officer the Group recommends to Cabinet that it supports the business case for the potential relocation of the Civic centre to the arena site, however;

i. it expresses concern with regard to the use of New Homes Bonus for repayment to reserves and believes strongly that action and measures to mitigate the potential risk associated should be identified and considered by Cabinet as part of its decision making process,

ii. it requests that consideration be given to alternative methods for the repayment of money to reserves in order that these are fully considered by Cabinet in their deliberations,

iii. Cabinet should ensure that necessary action is taken to verify the suitability of the land giving due regard to its historical usage,

iv. it believes that due regard should be given to the advice of the Council's Section 151 Officer in maintaining and sustaining a suitable level of reserves for the Council; and

v. in its consideration of the potential future uses/disposal of the Civic Centre, Cabinet engages the Corporate Governance Group in this process at an appropriate and timely stage.

26. Revenue and Capital Budget Monitoring

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 30 September 2013.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £493,682, with a projected favourable variance of £316,880 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. However, it was noted that the variance would be reduced at year end as a result of number of pending accounting adjustments. The main adverse variance related to severance payments, which had been funded from earmarked reserves.

In respect of the Capital budget monitoring, the report indicated a net underspend of £8,302,000 to the end of September 2013, with a projected favourable variance of £1,310,000 for the year. The main projected underspends related to £598,000 from the Cotgrave Masterplan, £150,000 Community Contact Centres, £278,000 from the vehicle replacement programme, £38,000 in relation to repayment of decent homes grants, £92,000 from deferred leisure projects, £23,000 from Information System Strategy Provision and £35,000 from Community Grants.

In response to questions, the Executive Manager - Finance and Commercial confirmed that there was still one severance payment outstanding and that details of all these payments were contained within the Statement of Accounts.

It was AGREED that the current projections for revenue and capital be noted.

27. **Treasury Management Update Mid Year Report 2013/14**

The Chairman informed the Group that in accordance with the CIPFA's Code of Practice, Members of the Committee responsible for the scrutiny of Treasury Management were required to receive training.

Members felt that further training, in addition to the annual presentation provided by Arlingclose, the Council's independent treasury management advisors, would be beneficial. The Group requested that the training should include all aspects of treasury management, in order that Members could gain a wider knowledge of the subject, and should be extended to all Members of the Council.

Action **the Executive Manager - Finance and Commercial to refer the Group's request for Arlingclose to provide treasury management training for all Members, to the Member Development Group for consideration**

The Service Manager - Finance and Commercial presented the Treasury Management Mid Year Update 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 the period 1 April to 30 September 2013, the rate of return achieved and the Counterparties that had been used.

The Council had budgeted to receive £250,000 in investment income for the financial year 2013/14. Currently, interest earned up to 30 September totalled £138,500 and it was anticipated by year end that interest receipts would exceed the budget by approximately £30,000. Although, the target interest rate for the year was 0.71% and the Council was currently only achieving 0.63%, however, this was offset by larger than anticipated investment balances. In accordance with the Council's Treasury Management Strategy, all investments limited to any one institution up to the maximum duration as advised by Arlingclose, with no more than £10 million per institution and were currently for less than 364 days. It was noted that the interest earned figure included a 3% return on loans to Nottinghamshire Country Cricket Club.

The Service Manager - Finance and Commercial reported that the Council was facing increasing difficulty in securing higher interest rates on money invested in Call Accounts. He explained that at present the Council's Prudential Indictor "Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure" only permitted the placement of up to 35% of investments on a fixed rate basis. As a result, significant funds continued to be placed in investments which were currently yielding interest rates of between 0.27% and 0.4%. Consequently, call investments were currently focussed on the Royal Bank of Scotland and Santander, and should either of these counterparties become unavailable or significantly reduce their rates, there would be an immediate impact on returns. The returns also compared unfavourably to those being secured on fixed term investments, where yields varied between 0.38% and 0.84%.

However, due to the restriction imposed by the Prudential Indicator, the Executive Manager had limited flexibility for the placement of funds on a fixed interest basis. Therefore, Members were asked to consider whether the limit on fixed interest investments should be raised to 60%, in line with other aspects of the Council's Treasury Management Strategy. It was noted that, in line with the current Treasury Management Strategy any decision to reset a prudential indicator would require approval by full Council.

The Executive Manager – Finance and Commercial was also asked to explain the need to raise the Prudential Indictor limit to 60% as currently none of the investments exceeded 12 months.

In relation to the interest rates achieved on investments, Members felt that it would be beneficial for the report to identify which financial institutions were money market funds and the length of the investments.

Action **The Service Manager - Finance and Commercial to ensure future reports include data of the length of investments and indicate the money market funds.**

It was AGREED that the Group:

a) note the Treasury Management update position at 30 September 2013; and

b) support the amendment of the Prudential Indicator "Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure" to enable up to 60% of investments to be made on a fixed interest rate basis.

28. **Annual Audit Letter**

The Group received the Annual Audit letter from the Council's External Auditors KPMG that summarised the progress of the audit for the financial year 2012/13. The letter reiterated the key conclusions from the 2012/13 Accounts and the Report to those Charged with Governance, both of which were considered by the Corporate Governance Group on 19 September 2013. The letter also noted that in line with the agreed timetable, work on the 2012/13 grants was yet to be concluded and a report on the Certification of Grants and Returns 2012/13 would be presented to the Group on 23 April 2014.

It was AGREED that Corporate Governance Group note the receipt of the Annual Audit Letter.

29. **Work Programme November 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**
6 February 2014	• Internal Audit Progress Report 2013/14 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
23 April 2014	• 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 9.25 pm.

Action Sheet
Corporate Governance Group - Thursday 7 November 2013

Minute Number	Actions	Officer Responsible
22 Notes of the Previous Meeting	None	
23 Internal Audit Progress Report 2013/14	a) further investigate the frequency of checks on the licenses of casual traders at Bingham Market b) further investigate the issue of public liability insurance at Bingham Market.	Executive Manager – Transformation
24 Health and Safety Interim Report 2013	None	
25 Potential Relocation of the Civic Centre and Funding Models for the Development of the Arena Site	None	
26 Revenue and Capital Budget Monitoring	None	
27 Treasury Management Update Mid Year Report 2013/14	a) refer the Group's request for Arlingclose to provide treasury management training for all Members, to the Member Development Group for consideration b) ensure future reports include data of the length of investments and indicate the money market funds.	Executive Manager - Finance and Commercial Service Manager - Finance and Commercial
28 Annual Audit Letter	None	
29 Work Programme	None	