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Our reference:
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Date: 29 January 2014

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Thursday 6 February 2014 at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely

Executive Manager Operations and Corporate Governance

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Notes of the Meeting held on Thursday 7 November 2013 (pages 1 - 13).
4. Internal Audit Progress Report 2013/14

The report of the Executive Manager - Finance and Commercial is attached (pages 14 - 22).

5. Risk Management Review Update

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 23 - 48).

6. Treasury Management Strategy 2014/15 - 2018/19

The report of the Executive Manager - Finance and Commercial is attached (pages 49 - 65).

7. Revenue and Capital Budget Monitoring

The report of the Executive Manager - Finance and Commercial is attached (pages 66 - 76).

8. Work Programme

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 77 - 78).

Membership

Chairman: Councillor G S Moore

Vice-Chairman: Councillor E A Plant

Councillors N A Brown, J E Cottee, A M Dickinson, R Hetherington, K A Khan, J E Thurman and H Tipton

Meeting Room Guidance

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**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 4,000m², but only required 2,500m². 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 2,500m² 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 Indicator "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 Indicator 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	<ul style="list-style-type: none">• Internal Audit Progress Report 2013/14• Treasury Management Update and Presentation• Risk Management Update• Revenue and Capital Budget Monitoring• Work Programme
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 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	

**Action Update from Corporate Governance Group
Thursday 7 November 2013**

Minute Number	Actions	Officer Responsible	Response
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	The following response was emailed to Members of the Group on 11 November 2013 <ul style="list-style-type: none"> • We ask for £5million public liability insurance from traders • Our contractor checks the insurance of casual traders – they are usually issued with a credit card style insurance certificate by their broker which they carry on them • We don't ask occasional casual charity users for proof of insurance for using the Buttercross. We can investigate this and look to include the following in correspondence with hirers: <i>“The Hirer shall be responsible for ensuring that they have sufficient and adequate insurance cover for the hiring.”</i> • The market place itself is insured under the Council's public liability insurance.
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	Training held on 27 January 2014 for all Members Data will be included in future reports

Report of the Executive Manager – Finance and Commercial

Summary

1. The attached report has been prepared by the Council's internal auditors, Baker Tilly. It is the third report for the 2013/14 year and shows the current position against the 2013/14 audit plan along with any significant recommendations.
2. The report details 11 audits that have been finalised in the first nine months of the year with 1 high and 3 medium recommendations as a result of those audits. Furthermore there are 3 audits in progress. The audit plan is due to be completed by the end of the financial year.
3. A member of the internal audit team will attend the meeting to present the report and be available to answer questions.

Financial Comments

The costs of the internal audit services are contained within existing budgets also paragraph 4 highlights budget reductions.

Section 17 Crime and Disorder Act

There are no section 17 implications.

Diversity

There are no diversity issues.

Background Papers Available for Inspection: Nil

Rushcliffe Borough Council

Internal Audit Progress Report – 2013/14

Corporate Governance Group: 6 February 2014

Introduction

The internal audit plan for 2013/14 was approved by the Corporate Governance Group (CGG) on 24 April 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

The CGG should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the CGG should note that any negative (red) assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Assignment <i>(Reports considered today are shown in bold italics)</i>	Status	Opinion	Actions Agreed		
			High	Medium	Low
Commercial Property Portfolio	FINAL	GREEN	0	1	2
Home Alarm Scheme	FINAL	GREEN	0	0	0
Transformation and Cost Savings	FINAL	GREEN	0	0	0
Bingham Market	FINAL	AMBER/GREEN	0	2	0
Housing Benefits	FINAL	GREEN	0	0	1
<i>Governance – Compliance with Expenses Policy</i>	<i>FINAL</i>	GREEN	<i>0</i>	<i>1</i>	<i>3</i>
<i>Strategic Housing Capital</i>	<i>FINAL</i>	GREEN	<i>0</i>	<i>0</i>	<i>1</i>
<i>Community Facilities</i>	<i>FINAL</i>	AMBER/GREEN	<i>0</i>	<i>0</i>	<i>7</i>

Community Support Grants	FINAL	GREEN	0	1	0
Purchase Ordering & Creditors	FINAL	AMBER/GREEN	1	0	2
Income & Debtors	FINAL	GREEN	0	0	4
NDR	WIP				
Council Tax	WIP				
Capital Programme & Assets	WIP				
Payroll	27.01.14				
Treasury Management, Cash & Banking	27.01.14				
Tendering	17.02.14				
Temporary Accommodation	17.02.14				
Risk Management	17.02.14				
Main Accounting System & Budgetary Control	03.03.14				
Follow Up	Ongoing				
Information Systems Assurance	TBC				

Other Matters

Planning and Liaison:

On-going liaison takes place with the Service Manager - Finance and other relevant managers in respect of scoping and planning each of the audit assignments.

Audit Planning 2014/15:

We are in the process of arranging meetings with the Executive Managers, to discuss the content of our proposed 2014/15 audit plan.

Internal Audit Plan 2013/14 - Change Control:

Action	Date	Agreed By
Potential cost savings, by reduction in days.	October 2013	CCG – Nov 2013

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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Action Plans for Key Recommendations

(Medium or High recommendations only)

GOVERNANCE – COMPLIANCE WITH EXPENSES POLICY - FINAL

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p>(a) Any new Members or employees of the Council should be asked to provide details of their insurance to confirm they are covered for travelling for business purposes (those who will be travelling for business purposes should have a clause to state this on their Insurance Certificate). A copy of this should be retained on file and periodic checks should be undertaken (annually) to ensure this is kept up to date.</p> <p>(b) Current Members of the Council and employees of the Council who are claiming mileage should be asked to provide a copy of their Insurance Certificate to ensure they have appropriate business cover on their motor insurance policy.</p>	Medium	Yes	Agreed.	<p>Immediate</p> <p>31st December 2013</p>	Dan Swaine

COMMUNITY SUPPORT GRANTS - FINAL

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p>(a) The Council reviews the criteria for the award of Community Support Grants to tighten the qualifying criteria and to remove any areas of ambiguity. In particular, the provision of grant assistance for the purchase of food for consumption at an event should be unacceptable and clear guidance provided on the utilisation of RBC grants to fund projects that should be funded out of the Parish precept.</p> <p>(b) Consideration is given to setting a minimum value for each grant awarded.</p>	Medium	Yes	It is intended to review the scheme prior to the Elections of May 2015. This is in order to ensure the criteria are appropriate and clear. It will also ensure the revised criteria and guidance to Councillors coincides with a new Electoral terms commencing in 2015	1 st April 2015	Dan Swaine

ORDERING & CREDITORS - FINAL

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	<p>All new bank accounts details and amendments to existing bank account details should follow the same process and be independently verified through contacting the supplier for confirmation.</p> <p>This is a live fraud risk and a number of our clients have had fraudulent bank account changes sent to them with payment being processed through to the fraudulent account, the Council should ensure this independent check is immediately implemented.</p>	High	Yes	<p>This procedure had already been started before the audit. Where new accounts come via depts details are requested. If from invoice phone call checks are done. Where records need amending, the company is contacted using details from previous invoices. These checks are evidenced by a hard copy file.</p>	Immediately	RLB

HOUSING BENEFITS – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

STRATEGIC HOUSING CAPITAL – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

COMMUNITY FACILITIES – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

Priority	Description
High Medium Low	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.

Opinions

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
RED	Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed consistently applied or effective. Action needs to be taken to ensure this risk is managed.	AMBER / GREEN	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
AMBER / RED	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed consistently applied and effective, action needs to be taken to ensure this risk is managed.	GREEN	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.

Report of the Executive Manager - Operations and Corporate Governance

Summary

1. At its meeting on 11 September 2013 the Corporate Governance Group were informed that the Executive Manager, Operations and Corporate Governance, was undertaking a review of the Council's risk management arrangements. This was to ensure they were aligned to the revised management structure. The review also aimed to address issues identified by the annual Internal Audit of risk management arrangements which had allocated an amber/red opinion.
2. This report sets out the findings of the review and the actions taken. It also provides a summary of any activities associated with the Council's emergency planning and business continuity arrangements. It had been intended to report the findings of the review to the meeting of the Corporate Governance Group to be held on 7 November 2013. However as part of the management of the Groups work programme and following discussions the Chair and Vice Chair the item was deferred until this meeting.

Recommendation

It is RECOMMENDED that the Corporate Governance Group

- a) note the contents of the report
- b) consider the actions taken to review the risk management arrangements
- c) determine when an update report be provided taking into account the Group's existing work programme.

Risk Management Review

3. As part of the review, the Council's Risk Management Strategy has been revised and these revisions were considered by the Executive Management Team (EMT) on 10 September 2013. A copy of the revised Strategy is attached at **Appendix A**. The Strategy sets out the process for managing risk. It states that the Corporate Governance Group is provided with updates on the risk management arrangements and the Group's responsibility is "to oversee and scrutinise the effective management of risk by officers".
4. The revised Strategy indicates that the EMT operates as the Council's Risk Management Group overseeing the management of risk across the organisation on a quarterly basis. Additionally, operational and strategic risks are reviewed each week by EMT as part of each service area's individual performance clinic.

5. EMT has met as the Council's Risk Management Group on 10 September 2013 and the 14 January 2014. At the meeting on 10 September 2013 consideration was also given to the recommendations arising from the Internal Audit of risk arrangements and the actions taken in response to those recommendations. At the meeting on 14 January EMT met as part of its established work programme in order to oversee the management of risk across the organisation and review, where necessary, operational and strategic risks.
6. As part of the review of the risk management process undertaken in the previous year the risk register was reviewed to ensure that corporate and operational risks are relevant and control measures listed are accurate and up to date. This process involved all Executive Managers reviewing the risks recorded for their service areas and ensuring these reflect the risks recorded in their service area business plans. Where necessary, the process has also involved a re-evaluation of risk rating to ensure likelihood and impact were accurate and realistic.
7. The review strengthened the process for managing and highlighting risks which could impact on service delivery. This has led to the introduction within service area weekly performance clinics of links to relevant risks and performance. This process is in addition to quarterly consideration by EMT of all the risks within the risk register. It has enabled improved management of risks associated with service delivery and also assisted with the identification of the link between performance and increased risk realisation.
8. The review process has led to the removal of risks that were low scoring, those that have the lowest likelihood or impact and / or risks that have effective mitigation ensuring the risk factors are under control. It also assisted in identifying a number of new risks that needed to be added to the register taking into account the changing nature of the Council's business and its priorities. The review also highlighted the need to evaluate and regularly review the internal controls identified to mitigate and minimise risks to ensure these were accurate and up to date.
9. The number of corporate risks has reduced from 21 to 19, 3 of which are new. There has been a decrease in the operational risks from 52 to 21. Overall, this has led to a net reduction in the number of risks but has ensured they are more relevant, accurate and appropriate. The revised list of all risks has been attached at **Appendix B**. Work will continue to identify appropriate internal controls for all new risks. This will be reviewed at the next Risk Management Group in April 2014.
10. Examples of risks that have been removed following the review process are:

Loss of key assets – vehicles

The likelihood of this risk becoming effective is scored 1 (lowest probability) and there is no expectation that this score will change in the future. In the event of vehicle loss, it may be possible to loan one from a neighbouring authority or hire a vehicle which are readily available.

Employing drivers with a criminal conviction, no licence or MOT

The likelihood for this risk is scored as 1, and as a result of effective checks made before a driver is employed it is very unlikely that a situation would arise when the rigorous controls for the risk would be ineffective.

Lack of response to customer complaint

Customer complaints are entered onto Covalent (the Council's performance management software with a dedicated module for monitoring all feedback), and the likelihood for this risk has been scored 1. The monitoring of new and existing complaints ensures that deadlines dates are monitored and responses are entered onto Covalent and cases are closed when complete

11. An example of a new risks added to the register following the review process is:

Revaluation of major Business Rate payer

Recent experience has highlighted the impact that an event such as this can have on our business rates income. Internal controls will now be established to mitigate or minimise this impact in the future.

12. As previously indicated at paragraph 4, the EMT operates as the Council's Risk Management Group. Within this role, EMT reviews the contents of the risk register on a quarterly basis and this ensures the register remains accurate and relevant. To assist with the process each service area has confirmed relevant officers who can access and update the risk management system to make sure any revisions or updates are made appropriately.

Emergency Planning Update

13. As the Group will be aware, parish and town councils across the Borough can play an important role in alleviating the impact of flooding at a local level. Consequently, work has been undertaken on the development of guidance to encourage parish and town councils to consider a variety of community resilience schemes. These include acquiring a resilience store that contains flood protection equipment, developing a community emergency plan and joining the Environment Agency's flood warden scheme.
14. To assist parish and town councils the emergency planning officer provided an overview of this subject at the Rushcliffe Parish Forum on Wednesday 30 October. Additionally, parish and town councils will be sent a letter from the authority providing more detail of these schemes. Information will also be made available online at:
<http://www.rushcliffe.gov.uk/environmentalhealth/emergencyplanning/>
15. A letter will be distributed to residents that make frequent requests for sandbags, encouraging them to purchase their own flood protection equipment if possible. It is hoped this will help and assist them in the management of flooding and how best to protect themselves and their property. Additionally, information on flooding, including a list of frequently asked questions, has been published on the council's website at: <http://www.rushcliffe.gov.uk/environmentalhealth/flooding/>
16. As part of the continued evaluation of the Council's emergency planning arrangements, the training needs of all managers and staff within the emergency plan have been assessed. This process aims to determine if further training is needed or if previous training requires a refresh. It is intended this process will assist in ensuring all relevant staff are suitably skilled and have the relevant technical knowledge in the case of an emergency.

17. As a further part of the continued evaluation of the Council's emergency planning arrangements, work has been undertaken to ensure all contact details are accurate and shared via the mobile technology available. This process helps to ensure access to relevant information is not unnecessarily hindered in an emergency. A briefing session for all managers on emergency planning was delivered by the executive manager operations and corporate governance and the emergency planning officer during the Leadership Forum on 7th November. This briefing ensured that relevant people were reminded of the plan, how it works and the action(s) required in the event of an emergency. The briefing also highlighted common pitfalls in the event of an emergency and how to ensure these are avoided by learning from the experiences of others.

Renewal of service level agreement

18. Newark and Sherwood District Council provide senior representation at Local Resilience Forum (LRF) meetings on behalf of other borough / district councils within Nottinghamshire as part of a service level agreement. As previously reported this arrangement has been renewed for the period 2013/14.
19. The emergency planning service level agreement with Nottinghamshire County Council for the period 2013/14 was also renewed in May.

Business continuity plan

20. As previously reported to the Group, the corporate business continuity plan has been updated to reflect the Rushcliffe Borough Council's organisational structure.
21. As the Group is aware, business continuity management aims to ensure that critical services can continue to be delivered during an incident (e.g. loss of premises, utility supply or technical systems). A summary of the authority's critical functions is included within the Business Impact Analyses (BIAs) of each service area. As part of his work to ensure the BIAs remain relevant, accurate and up to date, the Emergency Planning officer delivers a planned review programme working with Executive Managers, Service Managers and Lead Specialists to make amendments and identify any new areas of critical impact.

Gales and tidal surge (Thursday 5 December 2013)

22. Personnel from Rushcliffe Borough Council were prepared to assist the response to the storms and east coast tidal surge that affected the UK on 5 December.
23. Rushcliffe Arena, Cotgrave Leisure Centre and Bingham Leisure Centre were placed on stand-by to provide mutual aid to Lincolnshire, should it become necessary to evacuate householders from Boston. Rushcliffe Arena was deemed to be the most suitable premises for this purpose but as the potential number of evacuees could not be confirmed all three venues were notified.
24. Chilwell Olympia Sports Centre and the Richard Herrod Centre were also placed on stand-by via Broxtowe Borough Council and Gedling Borough Council respectively.
25. Trained staff from Nottinghamshire County Council, the Red Cross, St John Ambulance and the Royal Voluntary Service were also notified. Nottingham City

Council made arrangements for transporting residents from Lincolnshire and had sourced bedding and other supplies to ensure that evacuees would be comfortable.

26. In the event, the east coast flooding was less severe than had been feared and Lincolnshire County Council was able to provide sufficient local accommodation to care for approximately 900 evacuees. Consequently, the support available from local authorities and voluntary organisations in Nottinghamshire was stood-down shortly after 10pm that evening.
27. This incident served to emphasise the importance of having venues available to accommodate evacuees and trained staff available to respond when required. It also provided an opportunity to test the Local Resilience Forum's emergency accommodation plan and mass evacuation & shelter plan.

Severe weather (December 2013 - January 2014)

28. Severe weather caused flooding and loss of electricity supplies to many parts of the UK over the Christmas period. No significant disruption occurred in Nottinghamshire but preparations had been made to respond to any incidents that arose.
29. Rushcliffe Borough Council's distribution list for receiving weather and flood warnings is reviewed on a regular basis and measures are in place for being notified of possible disruption outside office hours.
30. Recipients of the emergency plan (i.e. all managers and other employees with important roles during an incident) had been asked to confirm their availability over the period to aid staff in identifying those who might be able to respond quickly to an incident.
31. The Local Resilience Forum's flood response plan outlines the multi-agency response to flooding within Nottinghamshire. This was recently tested in a Local Resilience Forum exercise on Thursday 19 September 2013.
32. A multi-agency plan for responding to widespread or prolonged disruption to electricity supplies is currently being developed by the Local Resilience Forum's critical infrastructure group. This is due to be approved by the Local Resilience Forum in March.

Financial Comments

The Risk Management Group ensures that the financial risks of the Council are managed. The SLA with Nottinghamshire County Council to provide an Emergency Planning Service has been renewed for 2013-14 to ensure satisfactory provision is in place.

Section 17 Crime and Disorder Act

The risk management group ensure that the section 17 implications are contained within the risk register.

Diversity

The risk management group ensure that the diversity implications are contained within the risk register.

Background Papers Available for Inspection: Nil

APPENDIX A

**RUSHCLIFFE BOROUGH COUNCIL
RISK MANAGEMENT STRATEGY**

August 2013

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1. Overview

1.1 Introduction

This strategy sets out the Borough Council's approach to the identification and assessment of risk.

Failure to pay proper attention to the likelihood and consequences of risks can cause significant problems, including:

- Threats to public health
- Disruption to services
- Loss of reputation
- Financial costs
- Claims for compensation.

The effective management of risk is therefore a critical part of Rushcliffe Borough Council's approach to delivering services and maintaining high levels of performance.

This strategy has been developed in order to ensure that areas of risk are identified and appropriate remedial action is considered. Financial provision to implement risk reduction measures will be made available where appropriate, with funding for initiatives provided from the risk management reserve.

1.2 Definition

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them. It is a means of minimising the costs and disruption to the authority caused by undesirable events.

The aim of this process is to reduce the frequency of incidents and minimise the severity of their effects. Even when the likelihood of an event occurring cannot be controlled, steps can be taken to limit its consequences (e.g. by developing effective emergency and business continuity plans).

2. Process

2.1 Introduction

Risk management involves the following four processes:

- Identification
- Analysis
- Control
- Review.

Risks are discussed at strategic and operational levels and are recorded by service areas via the corporate risk management system (Covalent). Operational risks are reviewed alongside financial information as part of individual service performance clinics at Executive Management Team (EMT) meetings. They are also reviewed during the development of annual service plans.

Corporate risks are considered on a quarterly basis by the Risk Management Group (RMG). The risk management strategy and corporate risk register is also reviewed annually by the RMG. Updates are provided to Elected Members via meetings of the Corporate Governance Group (CGG).

Operational risks

Operational risks are reviewed as part of individual service performance clinics at Executive Management Team (EMT) meetings. They are also reviewed during the development of annual service plans.

Corporate risks

Corporate risk management issues are considered on a quarterly basis at Risk Management Group (RMG) meetings. The risk management strategy and corporate risk register is reviewed annually by the RMG.

Oversight

Updates are provided to Elected Members via Corporate Governance Group (CGG) meetings in order to oversee and scrutinise the effective management of risk by officers.

2.2 Identification

A systematic assessment of risk needs to be undertaken when judging all policy and service delivery options available to the authority. By identifying areas of risk before an event occurs, steps can be taken to prevent an incident from arising.

2.3 Analysis

Having identified areas of potential concern, risks need to be systematically and accurately assessed. This process requires managers to evaluate:

- The probability of a particular incident occurring
- The potential consequences should such an incident occur
- The anticipated cost of future incidents.

2.4 Control

There are four options for controlling risk:

- Terminate
- Treat
- Transfer
- Tolerate.

2.4.1. Terminate

Terminating risk involves the authority opting not to undertake a current or proposed activity because the risk is deemed too significant.

2.4.2. Treat

Treating risk involves taking action (e.g. implementing projects or developing procedures) to reduce the likelihood of an incident occurring and limit the severity of its effects.

2.4.3. Transfer

This involves transferring liability for the consequences of an event to another body and can occur in two forms. Firstly, legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Secondly, transferring some or all of the financial risk to external insurance companies may reduce the costs associated with a damaging event.

2.4.4. Tolerate

There may be occasions when the cost of implementing risk reduction measures will outweigh the anticipated benefits. This is often because the likelihood of a risk occurring is deemed to be very low or its impact negligible. In such instances, a decision may be taken to tolerate the risk and no additional control measures will be undertaken.

2.5 Review

The risk management process does not end once control measures have been identified. Regular monitoring and reviews should take place of:

- The implementation of agreed control actions
- The effectiveness of these actions in controlling the risk
- How the likelihood and impact of the risk has changed over time.

Corporate and operational risks need to be reviewed on a regular basis. Even risks that are tolerated still need to be reviewed, as their likelihood or impact may increase over time.

2.6 Funding

The risk management reserve provides senior managers with the encouragement to increase levels of risk awareness within their areas of responsibility by formally identifying risks and proposals for action.

The reserve provides the opportunity to apply for financial support and creates an incentive for loss control, without adversely affecting service area budgets. This investment in risk management measures should lead to a reduction of insured and uninsured losses and eventually to lower costs, including premiums.

The S151 officer will ensure that appropriate insurance cover is in place for all identified risks.

3. Terms of reference: Risk Management Group (RMG)

3.1 Introduction

The corporate Risk Management Group (RMG) oversees the management of risk across the organisation and has responsibility for ensuring the risk management process is implemented. The RMG will meet on a quarterly basis and instigate actions, allocate resources and communicate key messages to service areas as necessary.

3.2 Membership

The Risk Management Group is made up of the following officers:

- Chief Executive
- Executive Manager (Operations & Corporate Governance)
- Executive Manager (Neighbourhoods)
- Executive Manager (Transformation)
- Executive Manager (Communities)
- Executive Manager (Finance & Commercial)
- Emergency Planning Officer.

Other officers will be invited to attend as required.

3.3 Objectives

Risk management

1. To co-ordinate risk management activity throughout the authority.
2. To identify strategic and operational practices that present significant risk to the authority and make proposals for reducing the probability or scale of loss.
3. To identify emerging risks by drawing on information from other organisations and external sources of information.
4. To promote good risk management practice throughout the authority by liaising with employees and identifying training needs.
5. To advise on the use of the risk management reserve to support funding necessary for projects, activities and initiatives that will reduce vandalism, arson, theft, damage to council property or personal injury to employees, visitors and persons under the care of the authority.
6. To co-ordinate risk control measures and in the process identify trends and priorities.
7. To co-ordinate the management of information security.
8. To monitor the number and type of insurance claims being received by the authority.
9. To evaluate new approaches on risk management and the extent to which they could assist the authority and its services.
10. To keep the corporate risk register and risk management strategy under review.

Business continuity planning

11. To ensure effective business continuity arrangements for the authority are in place, including those of its critical suppliers.
12. To review the corporate business continuity plan on a biannual basis.

Emergency planning

13. To ensure effective emergency planning arrangements for the authority are in place.
14. To review the corporate emergency plan on a biannual basis.
15. To participate in the work of the Nottingham and Nottinghamshire Local Resilience Forum (LRF) and work closely with other organisations as appropriate.

Appendix A: Roles and responsibilities

The following representatives have responsibilities for risk management.

Elected Members:

- To oversee and scrutinise the effective management of risk by officers.

Chief Executive:

- To ensure the risk management strategy is implemented effectively.

Executive Manager (Operations & Corporate Governance):

- To ensure the corporate risk register is reviewed regularly
- To maintain an overview of the risk management strategy and its implementation
- To review the risk management strategy
- To ensure that an effective strategy is in place for development of business continuity and emergency planning arrangements
- Where appropriate, to provide updates on risk management to Elected Members at CGG meetings.

S151 officer:

- To ensure a proper system of internal audit is carried out within the authority
- To monitor and control the risk management reserve, in consultation with the Cabinet Member for Finance
- To ensure that appropriate insurance cover is in place and that a register of claims is maintained.

Executive Managers:

- To identify risks of loss, damage, injury or performance facing service areas
- To implement risk control measures (i.e. terminate, treat, transfer, tolerate) where appropriate
- To ensure that risk control measures within service areas are implemented effectively and reviewed on a regular basis
- To ensure service areas have arrangements in place for updating the risk management system (Covalent)
- Where appropriate, to provide updates on risk management during performance clinics
- To oversee the implementation of agreed recommendations from internal audits
- To promote good risk management practice throughout the authority by co-operation and liaison with employees and relevant external agencies.

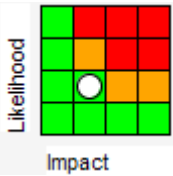
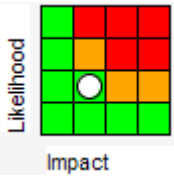
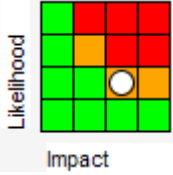
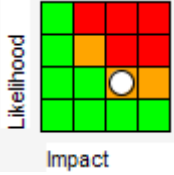
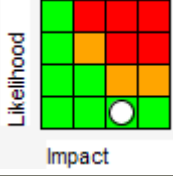
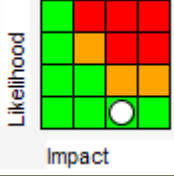
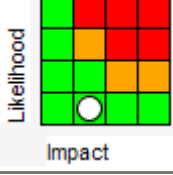
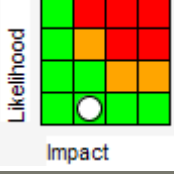
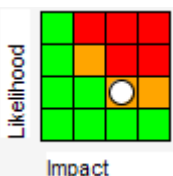
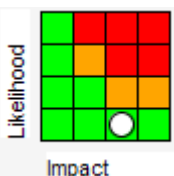
Emergency Planning Officer:


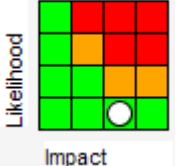
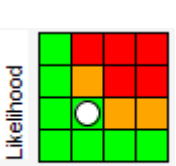
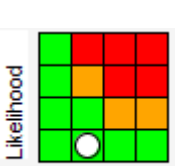
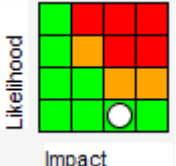
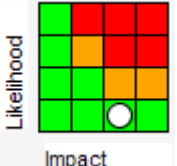


- To advise the RMG on emergency planning and business continuity arrangements
- To update the corporate emergency plan and corporate business continuity plan
- To ensure that business continuity plans for service areas are reviewed on a regular basis
- To co-ordinate training and exercising for staff, including participating in relevant activities undertaken by the Nottingham and Nottinghamshire LRF.

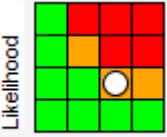




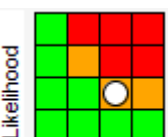
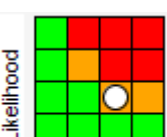
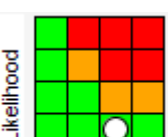
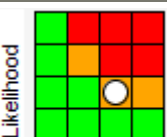
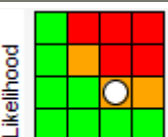
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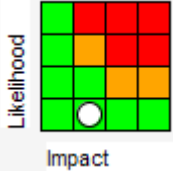
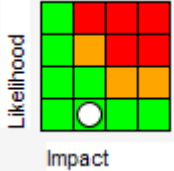
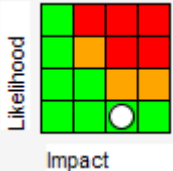
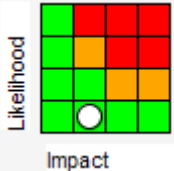
- To support and assist technical use of the risk management system (Covalent) by service areas.

Corporate Risks as at 14/01/2014

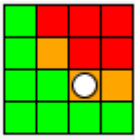
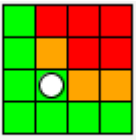
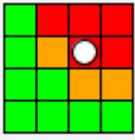
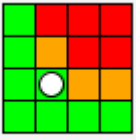
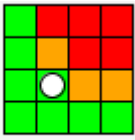
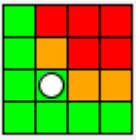
Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
CRR_CG01 Failure to properly deal with community governance review legislation and nominations for assets of community value value	Our Residents			Electoral review 2012; RBC constitution & decision making processes; resident satisfaction survey 2012 (highly engaged residents); agreed Localism Act procedures, Community Right to Challenge Dec 2012, Assets of Community Value Dec 2012; high electoral turnout and sound electoral practices
CRR_CG02 Equal pay claim	Our Council			Equal Pay audit and Pay & Reward review 2008. Risk mitigated through own policies & practice.
CRR_CG03 Insufficient staff capacity - skills, knowledge etc	Our Council			Four year plan programme & reviews; Recruitment policy; Corporate Strategy setting priorities; Transformation programme; Management review 2012; Training and development plan / talent pool; People Strategy (under review)
CRR_CG04 Significant reduction in staff morale	Our Council			People Strategy (under review); PDR process, learning and development plan / talent pool; ELG - staff engagement; Four year plan with clear priorities
CRR_CG06 Loss or compromise of sensitive data	Our Council			Document Retention Policy; Encryption programme i.e. software CGX secure connection Information security policy Staff code of conduct Document retention and disposal policy

Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
CRR_CG08 Long term loss/failure of main ICT systems	Our Council			Business continuity plans in place. Contract with ADAM Continuity for mobile server capability to upload Councils software applications. VPN with other Notts LA's in place.
CRR_CG09 Short term loss/failure of main ICT systems	Our Council			Daily back-up of core systems and off site storage of back-up tapes/disks. Housekeeping of data file sizes to optimize system performance. Server control log sheets completed at start of day. Proactive management of the ICT environment
CRR_CG10 ICT supplier goes out of business	Our Council			Undertake rigorous due diligence in contract procurement and periodic review of existing suppliers
CRR_CG12 Ineffective emergency planning arrangements	Our Council Our Residents			<p>Review of emergency plan.</p> <p>Emergency planning training identified for relevant recipients of the emergency plan.</p> <p>Attendance and participation in Local Resilience Forum (LRF) sub-groups.</p> <p>Service Level Agreement with Nottinghamshire County Council for emergency planning support and co-ordination.</p> <p>Service Level Agreement with Newark & Sherwood District Council for senior representation at Local Resilience Forum meetings.</p> <p>Involvement in Local Resilience Forum exercises.</p> <p>Local authority statement of intent on mutual aid.</p>

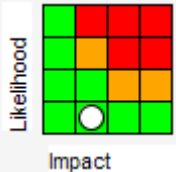
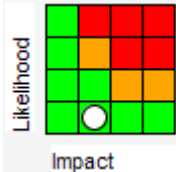
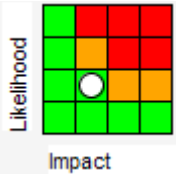
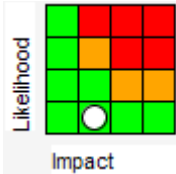
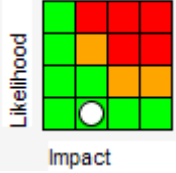
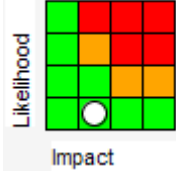

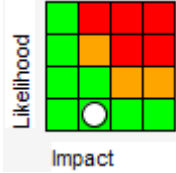
Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
CRR_CO01 Failure to develop a sound Local Plan	Our Council Our Economy Our Residents	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	LDF Group/Council. Adherence to the NPPF. Advice from PINS. Cooperation with other HMA authorities. Core Strategy – Council December 2013
CRR_CO02 Failure of public sector partnerships/ withdrawal of financial support	Our Council	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Whilst the potential impact of failure of partnerships could be serious with financial and reputational loss the likelihood of this would be low. Measures in place include statutory compliance (eg Community Safety Partnership) underwriting joint posts to ensure that withdrawal of funding does not result in loss of service.
CRR_FC02 Loss of income unbudgeted - Impact of Local Government Finance Bill	Our Council	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	NNDR Pool – Notts authorities Budget process, four year plan, budget monitoring. Medium Term Financial Strategy
CRR_FC03 Failure to prevent or detect fraud and corruption	Our Council	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Budget process, audit programme, budget monitoring. Variety of corporate policies and plans supplemented by arrangements such as registers of interest. Insurance cover Employment code of conduct Fraud awareness training Whistleblowing policy Register of Members' interests
CRR_FC05 Failure to manage the impact of introduction of Universal Credit on staff/ resource	Our Council Our Residents	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Regular meetings giving updates to staff. Fill vacancies as they arise with Agency staff/temporary contracts. Attendance at national meetings and resultant action.

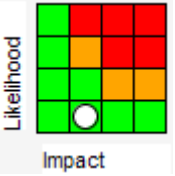

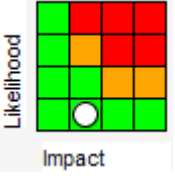
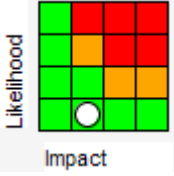
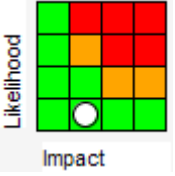
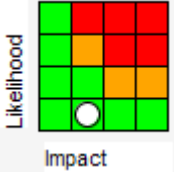
Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
CRR_NS08 Failure of internal health and safety compliance	Our Council			<p>Health and safety policy statement in place (April 2012) policies and procedures, up to date risk assessments and safe systems of work regularly reviewed. Depot health and safety and welfare group established in 2013 taking over from One Great Depot working group. Appropriate training as and when necessary for all staff</p> <p>Health and safety compliance through safety policy, risk assessments etc. – Safety and Risk Management post; Good enforcement through Environmental Health including newsletters on topical issues and low cost H&S training for local businesses. Health and Safety Enforcement Plan in place</p> <p>Corporate health & safety group</p> <p>Quarterly report to Executive Management Team</p> <p>6 monthly report to Corporate Governance Group</p>
CRR_TR04 Failure to properly manage our property assets	Our Council			<p>The vast majority of our investment property leases are on full repair and insuring terms.</p> <p>Other properties are managed by the service area responsible for their operational use e.g. leisure centres, community facilities.</p> <p>Maintenance budgets are kept and major works are programmed into the capital programme annually.</p>


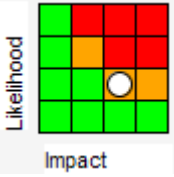
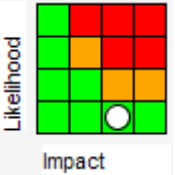
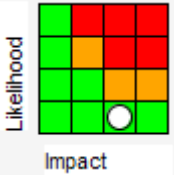
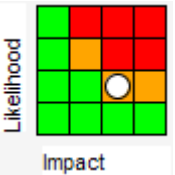
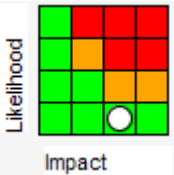
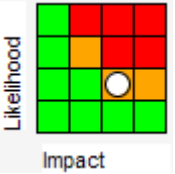
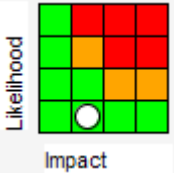
New Corporate risks to be finalised

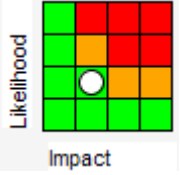

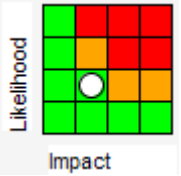
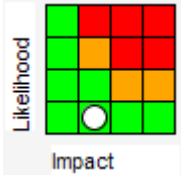
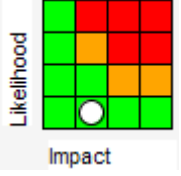
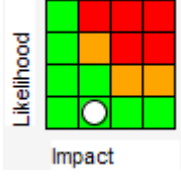
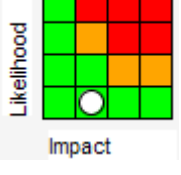
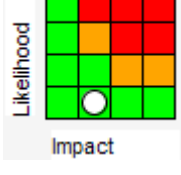
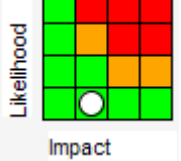
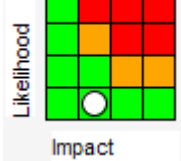
<p>CRR_CG11 Failure of business continuity</p>	<p>Our Council Our Residents</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Review of business continuity plan. Review of service-level business continuity plans. Local authority statement of intent on mutual aid.</p>
<p>CRR_FC07 Revaluation of major business rate payer</p>	<p>Our Council</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Ongoing reporting of business rate valuations and monitoring of business rate valuations to Executive Management Team at clinics Nottinghamshire districts pooling arrangement</p>
<p>CRR_FC08 Failure to close accounts (reconciliation)</p>	<p>Our Council</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Ongoing reporting of cash reconciliation position by accountants to group accountant</p>

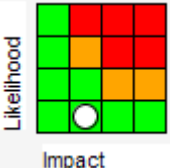
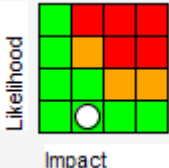
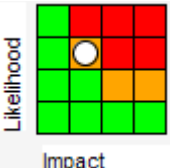
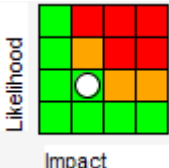
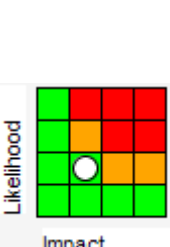
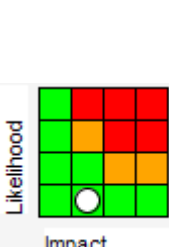
Operational Risks as at 14/01/2014

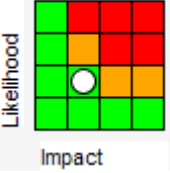
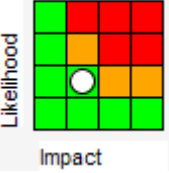
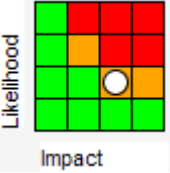
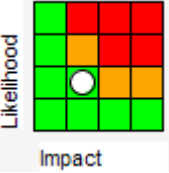
Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
OR_CG03 Threat of violence to staff	Our Council			<p>Corporate warning register revised 2010 CMT agreed actions resulting from CWR review Revised procedures for reporting and recording incidents 2010 Training delivered for appropriate officers on use of CWR system Lone worker policy Personal safety training Mobile phones for officers who work alone CCTV in buildings Panic alarms fitted in receptions and interview rooms Working towards controlling public access within the Civic Centre Anti-social behaviour (ASB) policy implemented</p>
OR_CG06 Failure to meet major statutory duties or take on board new legislation	Our Council Our Economy Our Residents			<p>Senior Solicitor highlights issues and advises; Lead by the Service Area; Clearer focussed priorities listed in Corporate Strategy Document</p>
OR_CG07 Failure to comply with the Data Protection Act	Our Council Our Residents			<p>All staff have been trained on Data Protection issues which is a part of the induction process ICT security policy</p>
OR_CG09 Failure to comply with Equality legislation	Our Council Our Residents			<p>Equal Opportunities training given to staff; Equal Opportunities policy; Instant translation service available; Equalities of opportunities action plan; LGA Equality standard – achieving; Single Equality Scheme – monitored by PMB Annual objects of Equality Scheme reported to PMB annually</p>

Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
OR_CG14 Inadvertent illegal activity, taking illegal decisions	Our Council			<p>Section 151 Officer; Constitution renewed 2012; Monitoring Officer; Standard report checklist; Whistleblowing policy; New Standing Orders and Financial Regs procedure; Training on new procedure given; Recruitment and staff training; Electronic Contracts Register and approval system</p>
OR_CG15 Risk to staff health due to their work	Our Council			<p>Employee wellbeing / welfare policy implemented 2010; Welfare referral as part of Absence Management; Stress questionnaires in place 2010; Revised Guidance for Managers implemented 2010; Occupational Health provider; Hepatitis immunisation programme for at risk staff; Ongoing audiology checks for at risk staff; Hand Arm Vibration (HAVS) - Vibration tests completed on vibrating equipment; Staff training completed Nov 2003; HAVS policy implemented Sept 2004 Health & safety audit programme Flu jabs Welfare statement</p>
OR_CG17 Threat of Industrial Action	Our Council Our Residents			<p>Consultation and negotiation; Staff have a “no strike” agreement; Low Union involvement</p>

Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
OR_CG19 Unauthorised access to IT systems	Our Council			<p>To mitigate the risk, Threat Management software is kept up to date and Firewall rules are regularly reviewed and subject to external audit checks. Penetration testing is also undertaken annually.</p> <p>Password protected screens; Externally managed security system; Fire walls, virus checkers; Authentication, Virtual Private Network being set up; Information Security Policy; Keep up to date through advice available; Back up of data which is stored off site; Government Connect; Security Policy review</p>
OR_CO01 Failure to safeguard children and vulnerable adults	Our Council Our Residents			<p>Written policy in place for Leisure Facilities; Agreed on designated posts to be checked with the Disclosure and Barring Service; Staff training programme - all relevant staff are now covered by a policy and training programme</p> <p>Oct 2012- Refresher training rolled out to all staff. Member training in April 2013. Safeguarding and Protecting Children & Young People Policy Safeguarding Vulnerable Adults Policy</p>
OR_CO04 Cost of defending appeals for large scale residential developments in absence of an adopted Local Plan and potential award of costs	Our Council			<p>Development Management approach - working proactively with developers to address any issues/adverse impacts arising from development proposals. The aim of this approach is to address as many technical issues, even if there remains a policy objection, thereby reducing the number of issues to be addressed at appeal. Furthermore, the preparation of the Local Plan (Core Strategy) is now at an advanced stage and should be given appropriate (greater) weight. The Local Plan identifies the location for a SUE south of Clifton and a strategy for provision of housing in the major settlements.</p>
OR_FC03 Failure to manage and monitor budget	Our Council			<p>Medium term financial strategy; Flexibility in managing budget; Formal budget monitoring in place</p>

Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
OR_FC05 Lack of implementation of financial controls	Our Council			Audited systems in place; Improved procedures for the procurement process; Procurement training
OR_FC06 Illegal treatment of VAT	Our Council			Some guidelines in place; Detailed reconciliations performed by Financial Services to review VAT charges; Financial Awareness training given to HoS Sept 2008; Training for CPS users before access given to the system.
OR_NS02 Disruption and lack of fuel	Our Council Our Residents			Agreements in place between neighbouring authorities should RBC have any issues with fuel stock - fuel is delivered on a monthly basis with our capacity at approximately 7 weeks worth of workload. The new co-operation agreement with Nottingham City Council we allow refuelling at Eastcroft Depot should that be necessary. Should there be national fuel disruption then this may have an effect on services but contingency plans are in place at a national level to allow essential services first access to fuel stock (Control updated Jan 2014) Business Continuity Plan
OR_NS06 Lack of knowledge of contaminated land	Our Council Our Residents			Dedicated officers with vast wealth of knowledge (John Pembrington and Martin Hickey) Attend courses through EMAQ to update on new technologies and legislative changes. Known contaminated land plotted on GIS arcview system and updated as and when necessary. RBC attend the Nottinghamshire Land quality Working group where information is shared across districts
OR_NS09 Contamination of surface water drainage system affecting areas adjacent to the Depot	Our Council			Petrol interceptors are checked and annually maintained. The drainage system does not link directly to the foul sewer system and bunding is in place. Under transfer licence compliance processes are in place to address any spillage by use of adsorbent granules and all staff have been appropriately trained

Risk	Linked to Corporate Theme	Current Risk Score	Target Risk Matrix	Internal Controls
OR_NS12 Failure to comply with waste transfer licence	Our Council			<p>Regular inspections and monitoring undertaken by the Environment Agency. Compliance is controlled by our own COTC holder (David Thomas) with policies and procedures in place for waste input and output. To add further resilience a further member of staff Mick Morley is being trained to complete COTC by June 2014</p>
OR_TR04 Failure to manage legionella issues	Our Council Our Residents			<p>Legionella policy and proposed capital refurbishments, legionella risk assessments completed. Legionella training on logbooks delivered to all sites. 6 monthly asbestos, legionella and tree management meetings chaired by Exec manager.</p>
OR_TR05 Failure to manage asbestos in buildings under our control	Our Council Our Residents			<p>Competent contractor has completed surveys Database with risk assessment in place Management programme to remove high risk asbestos and monitor low risk asbestos Employee training delivered to ensure competency in managing remaining asbestos Database in place - available to Parkwood Leisure Employees training as surveyors to enable inspections to be carried out and update database Exec management team monitors property, 6 monthly asbestos, legionella and tree management meetings chaired by Exec manager.</p>

Proposed new risks:				
OR_NS20 Security risk at Council's temporary accommodation premises	Our Council Our Residents			<p>Risk assessment undertaken on all potential occupants and accommodation choice/type and location provided will take into account any specific risk factors.</p> <p>Staffing presence at both lodges during normal working hours and out of hours arrangements in place to deal with one off incidents</p> <p>Emergency contact arrangements publicised within the accommodation for residents to follow</p>
OR_TR13 Failure to maintain council owned trees	Our Council Our Residents			<p>Tree maintenance budget in place to deal with any problems.</p> <p>Tree survey recommenced.</p> <p>Planned maintenance for trees in accordance with the needs identified within the survey</p> <p>6 monthly asbestos, legionella and tree management meetings chaired by Exec manager.</p>

Report of the Executive Manager - Finance and Commercial

Background

1. The purpose of this report is to provide members with details of both capital prudential indicators the Council's Treasury Management and Investment Strategy for 2014/15 to 2018/19.
2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the treasury management strategy

Recommendations

4. That Corporate Governance Group recommends to Council, as part of the Council's budget setting process:
 - a) The Prudential Indicators and Limits for 2014/15 to 2018/19 contained within Appendix A of the report;
 - b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (para 9) which sets out the Council's policy on MRP; and
 - c) The Treasury Management Strategy 2014/15 to 2018/19 and the Treasury Indicators contained within Appendix B.

Capital Prudential Indicators

5. Appendix A of this report details the Capital Prudential Indicators for 2014/15 to 2018/19.
6. The Capital Prudential Indicators highlight the following:
 - Projected capital expenditure plans and funding;
 - The Council's Borrowing Need (the Capital Financing Requirement CFR);
 - The Minimum Revenue Provision (MRP) Policy Statement , i.e. if the Council was to borrow how much it would charge the revenue account for the cost of borrowing;
 - The ongoing impact of the capital programme on the investment balance;

- The estimates, limits and prudence of future debt levels; and
- The affordability impact of the capital programme.

7. Appendix B details the Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates;
- The Council's debt and investment projections;
- The Council's borrowing and investment strategies;
- Specific limits on treasury activities; and
- Any local treasury issues.

Conclusion

8. The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital and Treasury plans. The documents comply with best professional practice and as such are recommended for approval by Full Council (to be appended with the Council's Medium Term Financial Strategy (MTFS)).

Financial Comments

The financial comments are contained within the report.

Section 17 Crime and Disorder Act

There are no direct section 17 implications

Diversity

There are no direct diversity implications.

Background Papers Available for Inspection:

Council Financial Regulations

Treasury Management in the Public Services: Code of Practice (CIPFA)

The Prudential Code for Capital Finance in Local Authorities (CIPFA)

CIPFA Treasury and Capital Management Panel Bulletin

The Capital Prudential Indicators 2014/15 to 2018/19

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
2. The CIPFA Prudential Code establishes a framework designed to support local strategic planning, local asset management planning and option appraisal. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.
3. The overall prudential framework also has an impact on the Council's treasury management activities as it directly impacts borrowing and investment activity. The Treasury Management Strategy for 2014/15 to 2018/19 is included in Appendix B.

The Capital Prudential Indicators

4. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:
 - Corporate objectives (e.g. strategic planning);
 - Stewardship of assets (e.g. asset management planning);
 - Value for money (e.g. option appraisal);
 - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
 - Affordability (e.g. implications for council tax and rents); and
 - Practicability (e.g. the achievability of the Corporate Plan).

Capital Expenditure Estimates

5. Capital expenditure can be financed immediately through the application of capital resources, for example, capital receipts, capital grants or revenue resources. However, if these resources are insufficient or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. Table 1 summarises the capital expenditure projections and anticipated financing, with capital expenditure increasing with regards to anticipated spend in relation to, in particular, accommodation and leisure strategy.

Table1: Projected Capital Expenditure

£'000	2013/14 Estimate	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Capital Expenditure	5,998	5,843	7,383	7,133	6,155	1,537	1,345
Financed by:							
Capital Receipts	4,982	3,707	3,891	1,636	4,283	1,165	973
Capital Grants/Contributions	726	1,675	383	292	292	292	292
Reserves	290	461	3,106	859	80	80	80
Net Financing Need for the Year (Internal Borrowing)	0	0	0	4,346	1,500	0	0
Total	5,998	5,843	7,383	7,133	6,155	1,537	1,345

6. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change and anticipated capital receipts are not realised in the medium term.

The Council's Borrowing Need (the Capital Financing Requirement)

7. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure which has not yet been paid for by either revenue or capital resources. The capital expenditure above which has not been financed increases the CFR from a negative to a positive position (ie the use of internal borrowing).

Table 2: CFR Projections

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Capital Financing Requirement						
Opening Balance	(505)	(505)	(505)	3,841	5,341	4,741
Movement in CFR	0	0	4,346	1,500	(600)	(600)
Closing Balance	(505)	(505)	3,841	5,341	4,741	4,141
Movement in CFR represented by						
Net financing need for the year (internal borrowing)	0	0	4,346	1,500	0	0
Less MRP/VRP and other financing movements	0	0	0	0	(600)	(600)
Movement in CFR	0	0	4,346	1,500	(600)	(600)

8. **CLG** Regulations have been issued which require the Corporate Governance Group to consider an Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary financing of the debt is provided within the Treasury Management Strategy Statement (Appendix B, paras 12-15). A variety of options are provided to Councils, so long as there is prudent provision. The following MRP Statement is recommended (taking advice from our Treasury Advisors).
9. Rushcliffe Borough Council has fully financed its capital expenditure incurred before 1 April 2013. In the event of an MRP charge being required the policy for approval is:

- *Option 3 Asset Life Method – in accordance with the proposed regulations MRP will be based on the estimated life of the assets, (this option must be applied for any expenditure capitalised under a Capitalisation Direction).*

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonable reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

This option provides for a reduction in the borrowing need over approximately the asset's life.

The Use of the Council's Resources and the Investment Position

10. The application of resources (capital receipts, reserves etc) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc). Table 3 details estimates of the year end investment balance and anticipated day to day cash flow balances. It should be noted that resources decline over time as capital expenditure is funded from internal resources.

Table 3: Expected Investment Position

Year End Resources £'000	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Expected year-end balances	33,000	33,000	31,000	23,000	23,000	23,000
Expected Average Investments over the year	40,000	40,000	38,000	30,000	30,000	30,000

Prudential Indicators for External Debt

Authorised Limit for External Debt

11. The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment.

Table 4: The Authorised Limit

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Authorised Limit	13,000	9,000	12,000	12,000	12,000	12,000

Operational Boundary for External Debt

12. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached.

Table 5: The Operational Boundary

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Operational Boundary	4,000	4,000	9,000	9,000	9,000	9,000

Prudential Indicator for Prudence

13. The framework established by the CIPFA Prudential Code is designed to ensure that the objective of keeping external debt within sustainable, prudent limits is addressed each year.

Gross Borrowing and the Capital Financing Requirement

14. This is a key indicator of prudence. In order to ensure that over the medium term gross borrowing will only be for a capital purpose, the Council needs to ensure that debt does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional increases to the CFR for the current and following two financial years.

Table 6: CFR versus Gross External Debt

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Gross Borrowing at 1 April	0	0	0	0	0	0
Internal borrowing	0	0	0	0	0	0
Gross Borrowing at 31 March	0	0	0	0	0	0
Capital Financing Requirement						
Total CFR	(505)	(505)	3,841	5,341	4,841	4,341

15. The Executive Manager – Finance and Commercial reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in this budget report.

Prudential Indicators for Affordability

16. Affordability indicators provide details of the impact of capital investment plans on the Council's overall finances.

Actual and estimates of the ratio of net financing costs to net revenue stream

17. This indicator identifies the trend in net financing costs (borrowing costs less investment income) against net revenue income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs (a credit indicates interest earned rather than cost) is changing over time. The trend below is consistent with the fact that our investments will decline, as will the Council's net budget, but in the later years projected interest rate rises means the proportion of interest earned increases.

Table 7: Ratio of Financing Costs to Net Revenue Stream

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	-2.31%	-2.37%	-2.25%	-1.83%	-3.87%	-4.28%

Incremental Impact of Capital Investment Decisions

18. This is an indicator of affordability that shows the incremental impact of capital investment decisions on Council Tax. The indicator identifies the revenue costs associated with the capital programme for a particular year. A minus figure is indicative of the assumed benefits from the Leisure Strategy and Accommodation changes. This changes to a positive figure in 2017/18 as the Council starts to pay for the cost of capital on this project.

Table 8: Capital Expenditure – Annual Impact on Council Tax

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Impact on Council Tax – Band D	0.21	0.53	(3.27)	(8.36)	6.35	6.30

Treasury Management and Investment Strategy Statement 2014/15 to 2018/19

19. The CIPFA Code of Practice for Treasury Management in the Public Services (the “CIPFA Treasury Management Code”) and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis. This Strategy Statement includes those indicators that relate to the treasury management functions.
20. The CIPFA Treasury Management Code defines treasury management activities as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Statutory and Professional Requirements

21. The above definition highlights that the treasury management service is an important part of the overall financial management of the Council’s affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council’s overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. Furthermore the Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Council has gone beyond this requirement, so that Members are fully informed of the implications on the 5 year Medium Term Financial Strategy of its Capital Programme.
22. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act, included from section 45 of this report); this sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments, and accords with the CIPFA Treasury Management Code of Practice 2011 (‘the Code’).
23. The primary requirements of the Code are as follows:
 - a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
 - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - c) Receipt by the full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue

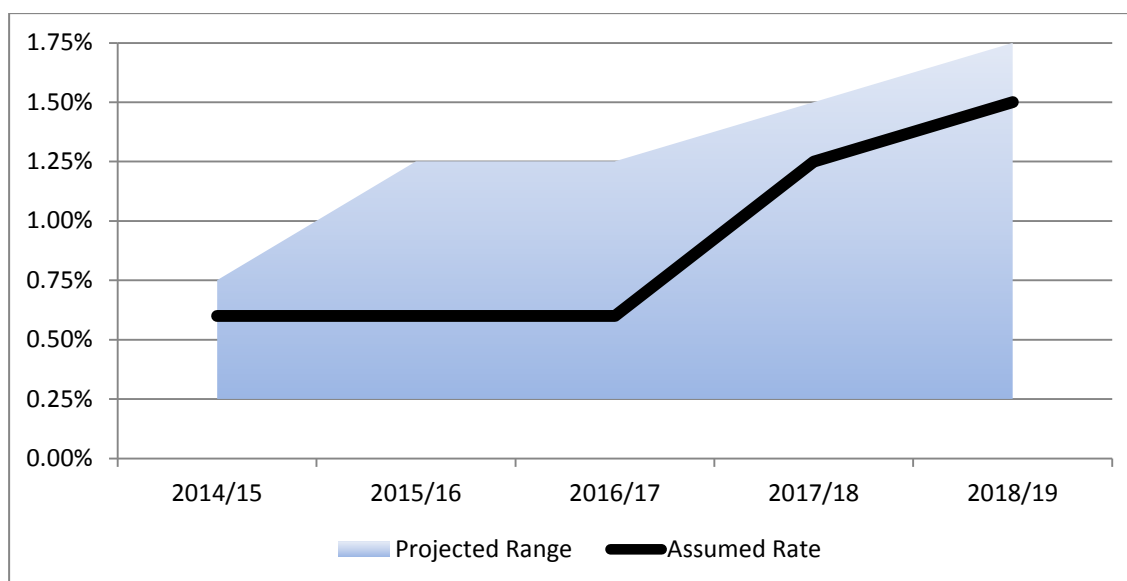
Provision Policy – for the year ahead, a Mid- Year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - e) Delegation by the Council of the role of scrutiny of the treasury strategy and policies to a specific named body. For this Council the delegated body is the Corporate Governance Group.
24. The suggested strategy for 2014/15 in respect of the following aspects of the treasury management function is based upon interest rate forecasts provided by the Council's treasury advisor, Arlingclose combined with our expected cashflow position.

The Current Economic Climate and Prospects for Interest Rates.

25. The Council is facing increasing difficulty in securing higher interest rates on its investments. Call account interest has reduced from 0.75% with Santander and Royal Bank of Scotland to 0.40% and 0.65% respectively which has had a significant impact on the returns. For example, future returns on investments with Santander have reduced from approximately £60,000 to £30,000 per annum.
26. There has also been a reduction in the rates on fixed term investments which will also have an impact on the interest earned. For example, the current rate for a 12 month investment with Barclays is 0.796% compared with the rate secured by the Council in August 2013 of 0.84%.
27. For any treasury decisions, whether to borrow or invest, the Council must pay due regard to both the economic climate and expectations going forward. The graph below shows that short-term rates are expected to remain low until 2016/17 and steadily rising thereafter. We have assumed rates in between the minimum and maximum expectation and consider a prudent prognosis. The Strategy has to be reactive to changing market conditions as such forecasts can quickly change and this could impact on future decision making.

Expected Movement in Interest Rates



28. Growth in the UK economy is expected to continue to strengthen but this is not expected to be reflected in interest rates as the Bank Rate is expected to remain at 0.5% for the next couple of years. The table below shows the assumed average interest rates that investments will be made at over the next five years for budget setting purposes.

Table 9: Budgetary Impact of Assumed Interest Rate Going Forward

%	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Average Interest rate	0.60	0.60	0.60	1.25	1.50
Expected interest from investments	240,000	228,000	180,000	375,000	450,000
Other investment income	20,000	20,000	20,000	20,000	20,000
Total Interest	260,000	248,000	200,000	395,000	470,000

29. The credit risk with banking failures has diminished but regulatory changes have been proposed to move away from the bank 'bail-outs' seen in previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors which includes Local Authorities are 'bailed in' to assist with the recovery process. As such the management of this risk could be aided by more investment diversification with Building Societies. There are also proposals for EU regulatory reform to Money Market Funds which could result in these funds moving to variable net asset value and losing their credit ratings. Diversification of investments between creditworthy counterparties to mitigate 'bail-in' risk will become even more important with these developments.

External Debt and Investment Projections 2014/15 to 2018/19

Debt Projections

30. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be refinanced. The following table shows the effect on the treasury position over the next five years. The expected maximum debt position each year represents the operational boundary indicator and so may be different from the year end position. Whilst we are not expected to externally borrow, this enables the Council to have the flexibility to borrow, if it is deemed appropriate.

Table 10: Debt Projections

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt at 1 April	0	0	0	0	0	0
Internal borrowing	0	0	0	0	0	0
Debt at 31 March	0	0	0	0	0	0
Operational Boundary	4,000	4,000	9,000	9,000	9,000	9,000

31. The capital programme assumes internal borrowing of:

- £4,346,000 in 2015/16
- £1,500,000 in 2016/17

32. This additional borrowing relates to the development at the Arena site and office accommodation, which will result in a reduction in the level of investments which, in turn, will reduce the interest receivable from investments.

33. Subject to confirmation of the funding model for the Arena development, amounts of £600,000 are planned to be set aside in 2017/18 onwards which will be financed by the New Homes Bonus for the repayment of this debt in accordance with the statutory provisions as detailed in the MRP policy set out in section 9.

Investment projections

34. The following table highlights the expected change in investment balances

Table 11: Investment Projections

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Investments at 1 April	33,459	33,000	33,000	31,000	23,000	23,000
Expected change in investments	(459)	0	(2,000)	(8,000)	0	0
Investments at 31 March	33,000	33,000	31,000	23,000	23,000	23,000

Borrowing Strategy 2014/15 to 2018/19

35. As indicated in para 13 above based on the initial funding model considered by Cabinet (which is still subject to final confirmation as part of any agreement to proceed with the development) the Council would internally borrow a total of £5.846m in 2015/16 and 2016/17 to finance the development at the Arena site and office accommodation. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.
36. By doing this, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.
37. The approved sources of long-term and short-term borrowing are:
 - Internal borrowing
 - Public Works Loan Board
 - Local authorities
 - Commercial banks
 - Money markets
 - Leasing

Treasury Management limits on activity

38. The purpose of these indicators is to contain the activity of the treasury function within certain limits and therefore reduce the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position. As suggested in the CIPFA Treasury Management Code, all investments (whether fixed or variable rate) with a period of less than twelve months to maturity are regarded as variable rather than fixed rate investments as they are potentially subject to movements in interest rates when they mature. Likewise, any fixed rate borrowing that is due to mature within twelve months is regarded as being at a variable rate as the rate to be paid on any replacement loan could differ from the rate currently being paid.

Upper Limits for Fixed and Variable Rate Exposure

39. These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Table 12: Interest Rate Exposure

%	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Fixed						
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25	25	25	25	25	25
Upper Limit for Fixed Interest Rate Exposure on Investments up to 1 year	100	100	100	100	100	100
Variable						
Upper Limit for Variable Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure on Investments	100	100	100	100	100	100

Maturity Structure of Fixed Rate Borrowing

40. This indicator highlights the existence of any large concentrations of fixed rate debt that will need to be replaced. It is designed to protect against excessive exposures to interest rate changes in any one period, with particular emphasis on the next ten years.

Table 13: Maturity structure of Fixed Rate Borrowing

%	Existing Level	Lower Limit	Upper Limit
Under 12 months	Nil Borrowing	0	100
12 months and within 24 months	Nil Borrowing	0	100
24 months and within 5 years	Nil Borrowing	0	100
5 years and within 10 years	Nil Borrowing	0	100
10 years and within 20 years	Nil Borrowing	0	100
20 years and within 30 years	Nil Borrowing	0	100
30 years and within 40 years	Nil Borrowing	0	100
40 years and within 50 years	Nil Borrowing	0	100
50 years and above	Nil Borrowing	0	100

Upper Limit for Total Principal Sums Invested over 1 year

41. This limit is intended to contain exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any investments made. If an investment has to be repaid before its natural maturity date due to cash flow requirements then, if market conditions are unfavourable, there could be an adverse impact upon the Council. As the level of overall investments declines so does the amount that would be expected to invest over 1 year

Table 14: Principal Sums Invested over 1 year

£'000	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Upper Limit for Total Principal Sums Invested over 1 year	12,900	8,250	7,750	5,750	5,750	5,750

Credit Risk

42. The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
43. The Council also considers alternative assessments of credit strength such as information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent)
 - Sovereign support mechanisms
 - Credit default swaps (where quoted)
 - Share prices (where available)
 - Corporate development, news, articles, market sentiment and momentum
 - Subjective overlay
44. The only indicators with prescriptive values are credit ratings. The other indicators of credit worthiness are considered in relative rather than absolute terms.

Investment Strategy 2014/15 to 2018/19

45. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income.
46. The Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring of their security which is set out in the Specified and Non Specified investments sections below.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for funds may prudently be committed. These procedures will also apply to the Council's prudential indicators covering the maximum principal sums invested.

47. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties, however they should not rely on credit ratings alone and should recognise their limitations. Credit ratings should only be used as a starting point when considering credit risk and organisations should make their investment decisions based on all ratings issued by the main credit rating agencies.
48. Credit rating information is provided by Arlingclose on all active counterparties that comply with the criteria below. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.
49. Should a body be removed from the Council's counterparty list then any extant investment will normally be retained until the earliest date under the agreement upon which it can be reclaimed. During such a period no further investments will be made with the counterparty.

Current investments

50. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year. Funds are separated between specified and non-specified investments as detailed below.

Specified investments

51. The CLG guidance defines specified investments as those:
 - Denominated in pound sterling,
 - Due to be repaid within 12 months of arrangements,
 - Not defined as capital expenditure by legislation, and
 - Invested with one of:
 - The UK Government
 - A UK local authority, parish council, or community council, or
 - A body or investment scheme of "high credit quality"
52. The Council defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA- or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments

53. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and

investments with bodies and scheme not meeting the definition on high credit quality.

54. The Council may invest its surplus funds with the counterparties detailed in the following table:

Table 15: Counterparty Details

	Rating body or equivalent)	Money Limit (maximum)	Time Limit (up to)	Specified	Non-specified
UK domiciled Banks and Building Societies	A-	£10m	2 years	Y	Y
Non-UK domiciled Banks	AA-	£5m	1 year	Y	N
Council's own banker	N/A	£1m	overnight	Y	N
UK Central Government	Government Secure		overnight	Y	N
UK Local Authorities	Highly Secure Not Rated	£5m	1 year	Y	N
UK Registered Providers of Social Housing	A-	£5m	1 year	Y	N
Money Market Funds and other pooled funds	Likely to lose credit ratings (para. 29)	£5m	overnight	Y	Y
Funding Circle	N/A	£0.5m	5 years	N	Y
CCLA Property Fund	N/A	£1.0m	5 years	N	Y

55. A group limit of £12m will apply to counterparties that are subsidiaries of larger banking groups.
56. Although the above table details the Counterparties that the Council could invest funds with it would not invest funds with Counterparties against the advice of Arlingclose even if they met the criteria above.
57. Following the reduction in the interest rate from 0.75% to 0.40% on the Santander Call Account the Council is planning further diversify with Svenska Handelsbanken. The limit of investment is a maximum of £5 million in a call account with at a rate of 0.65%. This is within the approved limits provided by Arlingclose. Also highlighted in Table 15 is diversification with the CCLA Property Fund and Funding Circle (the latter to also help facilitate business growth).
58. Any infringement of the above limits can be authorised by the Section 151 Officer or the Deputy Section 151 Officer, and will be reported retrospectively to the Corporate Governance Group. This is to cover exceptional circumstances so that instant decisions can be made in an environment which is both fluid and subject to high risk.

Treasury Management Advisors

59. The Council uses Arlingclose as its treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues
- Economic and interest rate analysis
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

60. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Member and Officer Training

61. The increased member consideration of treasury management matters, and the need to ensure that officers dealing with treasury management are trained and kept up to date, requires a suitable training process for members and officers. The Council will address this important issue by:

- Periodically facilitating workshops for members on finance issues;
- Interim reporting and advising members of Treasury issues via CGG;
- Identifying officer training needs on treasury management related issues through the Performance Development and Review appraisal process;
- Officer attendance at training events, seminars and workshops; and
- Support from the Council's treasury management advisors.

Report of the Executive Manager - Finance and Commercial

Background

This report presents the budget position for revenue and capital as at the 31 December 2013 along with recommendations as appropriate. Given the current financial climate it is imperative that the Council maintains due diligence with regards to its finances and ensures necessary action is taken to maintain a robust financial position.

Recommendation

It is RECOMMENDED that Corporate Governance Group:

- a) Note the current projections for revenue and capital.
- b) Recommends to Cabinet that the following Capital Programme carry forwards are approved:
 - i. NCCC Loan, £2,000,000
 - ii. A453 Contribution, £250,000
 - iii. Cotgrave Masterplan, £584,000
 - iv. Civic Centre Lift, £61,000

Revenue Monitoring

1. The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis for December 2013 attached at **Appendix B**. This shows an underspend against profiled budget to date of £1,039,700 and a projected underspend, prior to year-end adjustments, for the year of £990,810.
2. As documented at **Appendix B** the underspend to date reflects a number of positive variances including income from planning fees arising from a number of major applications, reduced staffing costs at the depot and savings on corporate management costs.
3. The most significant contributor towards the overall position is the Communities Service Area who is forecast to outturn at £1.04m compared to the allocated budget of £1.48m. However, as noted at Appendix B these figures include adjustments relating to delays in expenditure on the Local Plan and additional Development Control income a proportion of which relates to work that will not be undertaken or finalised until 2014/15. As such it is likely that adjustments will be required as part of the end of year accounts process to ensure that funding is properly allocated between 2013/14 and 2014/15. If required such adjustments are likely to significantly reduce the level of year end underspend within the Communities Service Area.

4. The main adverse variances relate to the cost additional staffing resource within Finance and Commercial (as a result of changes to both the finance and cash systems) and an increase in the overall cost of IT contracts which in previous years, was funded out of the IT Reserve.

Capital Monitoring

5. The updated Capital Programme monitoring statement for July 2013 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below: -

CAPITAL PROGRAMME MONITORING - DECEMBER 2013			
EXPENDITURE SUMMARY	Current Budget £000	Projected Actual £000	Projected Variance £000
Transformation & Innovation	2,126	1,363	(763)
Neighbourhoods	2,542	2,219	(323)
Communities	814	470	(344)
Corporate Governance	365	303	(62)
Finance & Commercial	2,448	206	(2,242)
Contingency	2	0	(2)
	8,297	4,561	(3,736)
FINANCING ANALYSIS			
Capital Receipts	(5,967)	(2,509)	3,458
Government Grants	(628)	(598)	30
Other Grants/Contributions	(1,240)	(1,195)	45
Use of Reserves	(462)	(259)	203
	(8,297)	(4,561)	3,736
NET EXPENDITURE	-	-	-

6. The projected outturn on the capital programme is projected to underspend by £3,736k. There are a number of carry forward requests likely in the final outturn report (further explanation is contained in the detail below). Some we already have certainty on and request that the NCCC loan of £2,000k and the A453 contribution of £250k are carried forward.

Transformation

7. The Cotgrave Masterplan is critical for the Council in terms of future housing and economic development. There is an anticipated underspend of £584k recommended to be carried forward to facilitate strategic acquisitions. There is now no anticipated spend regarding the Spokes project, Members are advised £150k is therefore to be returned to Capital Contingency of which

£30k is required for enhancements to the Point. £61k is requested to be carried forward in relation to lift repairs at the Civic Centre.

Neighbourhoods

8. The projected underspend of £323k primarily relates to the re-modelling of the vehicle replacement programme due to the on-going service reviews and Streetwise franchise project which has resulted in a projected underspend of £301,000. There is a further £49,000 underspend in relation to the repayment of Decent Homes Grants which are waiting re-allocation once applications have been received and approved. Any expenditure plans will be in line with the current Private Sector Housing Renewal Policy. The support for RHPS minor overspend of £23k relates to an acceleration in provision from the 2014/15 programme.

Communities

9. Communities has a projected underspend of £344k. A significant amount of this is £200k in relation to Alford Road Pavilion redevelopment. The results of a review of the design is awaited which may affect the level of spend in 2013/14 with potential carry forward in 2014/15. Rushcliffe Country Park is also likely to require some carry forward in 2014/15 as the further planning permission is required.

Corporate Governance

10. The projected underspend relates to the provision for the new Income Receipting System which has been written off to revenue due to the nature of the spend; and a £50k underspend in relation to the acquisition of Applications.

Finance & Commercial

11. The projected underspend of £2,242k largely relates to the NCCC loan (£2,000k) and the A453 Contribution (£250k), both of which are recommended to be carried forward into the 2014/15 Capital Programme. As reported previously there are a number of deferred leisure projects as a result of the Leisure Strategy review. There is an overspend of £28k due to urgent works being required on the Cotgrave Pool lining.

Summary

12. This report continues previous trends of the authority's managers maintaining expenditure within the funding envelope agreed by the council and identifies that savings will continue to be delivered on capital and revenue budgets throughout the remainder of the current financial year. There remain external financial pressures from developing issues such as changes in national funding associated with the localisation of Business Rates, welfare reform and continued financial pressures on individuals, businesses and partners. Against such a background it is imperative that the council continues to keep a tight control of its expenditure and maintains positive progress against its four year plan.

Financial Comments

Financial comments are included within the body of the report

Section 17 Crime and Disorder Act

There are no section 17 implications

Diversity

There are no diversity implications

Background Papers Available for Inspection:

None

Appendix A

Revenue Variance Analysis by Service Area April 2013 - December 2013 (9 Months)

	Actual vs Budget to Date			Projected Outturn vs Budget		
	Budget YTD	Actual YTD	Variance (Under)/Over	Current Budget	Projected Outturn	Variance (Under)/Over
Communities	1,115,700	667,096	(448,604)	1,482,210	1,043,880	(438,330)
Corporate Governance	2,440,635	2,411,627	(29,008)	3,294,900	3,252,000	(42,900)
Finance & Commercial	2,622,899	2,524,807	(98,092)	3,003,930	2,881,630	(122,300)
Neighbourhoods	2,288,527	1,984,286	(304,241)	3,238,180	3,044,980	(193,200)
Transformation	495,314	335,536	(159,778)	676,840	576,550	(100,290)
Additional Grants						(93,790)
Total	8,963,075	7,923,352	(1,039,723)	11,696,060	10,799,040	(990,810)
Potential (Call on)/ Contribution to Earmarked Reserves						990,810
Reserves/Contingency						0
Budgeted Use of Balances						0
Net Use of Balances Available						0

Variance Analysis Explanations

ADVERSE VARIANCES

	Variance YTD £'000	Projected Outturn £'000
Communities		
Building Control fee earning income below budget.	9	15
Grant to Rushcliffe Community Partnership from Reserve	22	20
Local Development Framework - Severance and PILON.	15	9
Corporate Governance		
IT Rechargeables. Additional costs due to new or replacement contracts.	58	40
IT - Employees costs overspent due to severance pay, offset by vacancies.	14	0
Finance & Commercial		
Finance - additional staff resource for finance and cash system upgrades	58	100
Internal Audit- Charges exceeding plan, offset in previous year, negotiated reduction for year	12	8
Leisure Centres. Prior year utility charges	30	30
Neighbourhoods		
Homelessness. Under-occupancy.	11	16
Housing Strategy - GBC secondment	7	14
Transformation		
Investment Properties - Building works and NNDR at the Point	16	16
Total Adverse Variances	252	268

ADVERSE VARIANCES	Variance YTD £'000	Projected Outturn £'000
Communities		
Building Control fee earning - work less than anticipated.	9	15
Grant to Rushcliffe Community Partnership from Reserve	22	20
Local Development Framework - Severance and PILON.	15	9
Corporate Governance		
IT Rechargeables. Additional costs due to new or replacement contracts.	58	40
IT - Employees costs overspent due to severance pay, offset by vacancies.	14	0
Finance & Commercial		
Finance - additional staff resource for finance and cash system upgrades	58	100
Internal Audit- Charges exceeding plan, offset in prev year, negotiated reduction for year	12	8
Leisure Centres. Settlement of gas invoicing for prior years.	30	30
Neighbourhoods		
Homelessness. Under-occupancy.	11	16
Housing Strategy - Agency costs re GBC employee	7	14
Transformation		
Investment Properties - Building works and NNDR at the Point	16	16
Total Adverse Variances	252	268

FAVOURABLE VARIANCES

	Variance YTD £'000	Projected Outturn £'000
Communities		
Development Control - Savings from vacant posts.	(68)	(66)
Development Control - Income from Planning Fees up due to a number of major applications.	(210)	(170)
Land Charges income up due to improvement in housing market	(14)	(15)
Outdoor Sports - Maintenance costs down at Gresham	(5)	(16)
Community Park and Open Spaces - RCP catering income and cricket parking at Bridge Field	(16)	(15)
Local Development Framework - Contribution from Nottingham City Council re Growth Grant	(16)	(16)
Local Development Framework - Planning Inspectorate costs likely to be carried forward due to scheme slippage	(59)	(85)
Corporate Governance		
Democratic Representation. Savings on mayor's transport, civic receptions and members' basic allowances.	(38)	(31)
Democratic Representation - Employees: savings on vacancies and maternity	(16)	(23)
EMT - Staff vacancy.	(11)	(17)
Finance & Commercial		
Corporate Management. Bank Commission adjustment re previous year and current charges lower than anticipated	(94)	(62)
Leisure Centres. Underspends on electricity and repairs.	(30)	(40)
Car Parks. Staff vacancy.	(11)	(15)
Car leasing - cessation of scheme	(51)	(70)
Investment Interest.	(5)	(15)
Non Distributed Costs. Savings on superannuation backfunding and pensions increase act payments	(21)	(29)
Neighbourhoods		
Licensing - Application higher than expected	(21)	(20)
Waste Collection. Savings on hire costs and stable fuel price.	(31)	(30)
Waste Collection. Green Waste invoices.	(8)	(12)
Waste Collection. Employee costs.	(80)	(60)
Depot new efficient boiler.	(9)	(12)
Fleet & Garage. Vacancy.	(31)	(33)
Streetwise. 2 vacant posts to be filled from September 2013.	(16)	(20)
Transformation		
Industrial Sites. High occupancy rates to date but future vacancies anticipated.	(29)	(19)
Transformation - Surplus Supplies and Services budget, reduced for next year	(19)	(19)

Estates Open Spaces - Underspend on responsive works to Open Spaces and Cycleways	(13)	(12)
Land Holdings - Void rate offset by vacancy at the Hall	(16)	(13)
Investment Properties - Income up at the Point	(47)	(36)
Office Accomodation - Savings on electricity	(11)	(13)
Customer Services - Staff vacancies	(17)	(15)
Total Favourable Variances	(1,013)	(999)
Sum of Minor Variances	(279)	(260)
TOTAL VARIANCE	(1,040)	(991)

2013/14 Capital Programme**April 2013 - December 2013 (9 Months)**

CAPITAL PROGRAMME MONITORING - DECEMBER 2013			
	Current Budget	Projected Actual	Variance
	£000	£000	£'000
TRANSFORMATION & INNOVATION			
Cotgrave Masterplan	858	274	(584)
Rushcliffe Community Contact Centre - Spokes	150	0	(150)
The Point Enhancements		30	30
Carbon Management Plan - Lighting	72	72	0
Bridgford Hall Refurbishment	0	2	2
Civic Centre Enhancements - General Provision	61	0	(61)
Civic Centre Vacant Space Works	120	120	0
Civic Centre Enhancements - External Works	430	430	0
Civic Centre Boiler Replacement	140	140	0
Nottinghamshire Broadband	245	245	0
Footpath Enhancements	50	50	0
	2,126	1,363	(763)
NEIGHBOURHOODS			
Disabled Facilities Grants	600	600	0
Discretionary Support Grants	61	16	(45)
Support for Registered Housing Providers	958	981	23
Wheeled Bins Acquisition	81	81	0
Vehicle Replacement	842	541	(301)
	2,542	2,219	(323)
COMMUNITIES			
Gresham Pavilion Legionella	3	3	0
Gresham Security Works	12	12	0
Community Partnership Reward Grants	54	24	(30)
Nottinghamshire Cricket Club - Grant	90	90	0
Rushcliffe Country Park - Play Area	120	60	(60)
Capital Grant Funding	92	40	(52)
Alford Road Pavilion Redevelopment	350	150	(200)
Boiler Replacement	53	53	0
The Hook M.U.G.A.	40	38	(2)
	814	470	(344)
CORPORATE GOVERNANCE			
IS Strategy	365	303	(62)

	365	303	(62)
FINANCE & COMMERCIAL			
RLC Changing Rm Supply & Extraction Unit	0	0	0
KLC - Pitch Upgrade	0	0	0
RLC - Warm Air Unit	0	0	0
CLC Car Park Resurfacing	3	3	0
Arena - Bowls Rink Cloth	0	0	0
BLC - Roof Replacement	104	104	0
Leisure Strategy Review	91	71	(20)
Cotgrave Pool Lining	0	28	28
Nottinghamshire Cricket Club - Loan	2,000	0	(2,000)
Dualling of A453 - Contribution	250	0	(250)
	2,448	206	(2,242)
CONTINGENCY			
Contingency	2	0	(2)
	2	0	(2)
TOTAL	8,297	4,561	(3,736)

Report of the Executive Manager - Operations and Corporate Governance

This report sets out a proposed work programme for the next year. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.

Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out in the table below.

Date of Meeting	Item
6 February 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
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 2014/15 • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
19 June 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Internal Audit Annual Report 2013/14 • Health and Safety Annual Report • Annual Governance Statement 2013/14 • Corporate Governance Annual Report 2013/14 • Fraud & Irregularities 2013/14 • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
4 September 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Statement of Accounts 2013/14 • External Auditors Annual Governance Report 2013/14 • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme
13 November 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Health and Safety Interim report • Risk Management Update • Annual Audit Letter • Revenue & Capital Budget Monitoring • Work Programme
29 January 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
26 March 2014	<ul style="list-style-type: none"> • External Audit Plan 2014/15 • Certification of Grants and Returns – Annual Report 2013/14 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

The above table does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

Financial Comments

No direct financial implications arise from the proposed work programme.

Section 17 Crime and Disorder Act

In the delivery of its work programme the Group supports delivery of the Council's Section 17 responsibilities particularly in relation to audit, fraud and irregularities.

Diversity

The policy development role of the Group ensures that its proposed work programme supports delivery of the Council's Corporate Priorities.

Background Papers Available for Inspection: Nil