When telephoning, please ask for: Member Services
Direct dial 0115 914 8481
Email memberservices@rushliffe.gov.uk

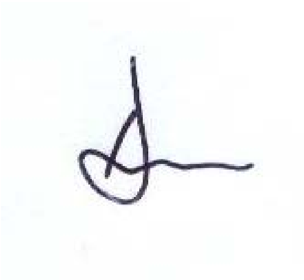
Our reference:
Your reference:
Date: 27 August 2014

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Thursday 4 September 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 19 June 2014 (pages 1 - 6).

4. Internal Audit Progress Report - September 2014/15

   The report of the Executive Manager - Finance and Commercial is attached (pages 7 - 14).

5. Approval of the Statement of Accounts 2013/14

   The report of the Executive Manager - Finance and Commercial is attached (pages 15 - 24).

6. External Auditors Report To Those Charged With Governance 2013/14

   The report of the Executive Manager - Finance and Commercial is attached (pages 25 - 40).

7. Treasury Management Outturn Position 2013/14

   The report of the Executive Manager - Finance and Commercial is attached (pages 41 - 47).

8. Revenue & Capital Budget Monitoring 2014/15 – Quarter 1 Update

   The report of the Executive Manager - Finance and Commercial is attached (pages 48 - 55).

9. Annual Report 2013/14

   The report of the Executive Manager - Finance and Commercial is attached (pages 56 - 63).

10. Work Programme

   The report of the Executive Manager - Operations and Corporate Governance is attached (pages 64 - 65).

<u>Membership</u>

Chairman: Councillor G S Moore
Vice-Chairman: Councillor N K Boughton-Smith
Councillors N A Brown, L B Cooper, A M Dickinson, K A Khan, I I Korn,
J E Thurman and H Tipton

NB Item 5 - Approval of the Statement of Accounts 2013/14
The Statement of Accounts (Appendix A) has been produced as a separate document – please retain this document and bring it to the Council meeting on 25 September 2014

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble in the Nottingham Forest car park adjacent to the main gates.

Toilets are located opposite Committee Room 2.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

Rushcliffe Borough Council

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 19 JUNE 2014

Held at 6.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford

PRESENT:

Councillors G S Moore (Chairman), N K Boughton-Smith, N A Brown, L B Cooper, A M Dickinson, K A Khan, I I Korn and J E Thurman

ALSO IN ATTENDANCE:

J Cornett	KPMG
C Williams	Baker Tilly

OFFICERS PRESENT:

R Caddy	Revenues and Benefits Manager
A Goodman	Member Support Officer
J Hicks	Strategic Human Resources Manager
P Linfield	Service Manager - Finance and Commercial
P Steed	Executive Manager - Finance and Commercial
E Walters	Democratic Services Assistant
J Wilkinson	Health and Safety Advisor

APOLOGIES FOR ABSENCE:

There were no apologies for absence

1. **Declarations of Interest**

There were none declared.

2. **Notes of the Previous Meeting**

The notes of the meeting held on Wednesday 23 April 2014 were accepted as a true record.

3. **Internal Audit Progress Report 2013/14 and 2014/15**

Mr Williams, a representative from Baker Tilly, the Council's internal auditors, presented the final report for the financial year 2013/14. He informed Members that in line with the audit plan, five reports had been finalised since the last meeting of the Group, for the areas of Payroll, Tendering, Risk Management, General Ledger and Treasury Management, Cash & Banking, and that the assurance level all audits was green, the highest achievable.

All the audits and significant recommendations from the previous year's audits had been completed and work had commenced on the Plan for 2014/15. There was currently one audit at the work in progress stage for the area of Human Resources and this which would be presented to the next meeting of the Group in September 2014.

In response to a question regarding the surveys carried out at East Leake Leisure Centre, Mr Williams confirmed that although there was currently no independent verification of the figures, no issues had been identified.

It was AGREED that the Internal Audit Progress Report 2013/14 and 2014/15 be noted.

4. **Internal Audit Annual Report 2013/14**

Mr Williams presented the Internal Audit Annual Report for 2013/14 that included an overall assessment of the assurances to Members and officers arising from their work last year. He drew Members' attention to the Internal Audit Opinion which gave a conclusion of the adequacy and effectiveness of the Council's arrangements in terms of Governance, Risk Management and Control. All three areas had been given an assurance rating of green, the highest achievable. During 2013/14, a total of 20 individual audit reviews had been undertaken, of which 16 were given a substantial assurance rating of Green and 4 given a reasonable assurance Amber/Green.

In relation to the changing nature of the way Councils operate and the subsequent effect on the governance and risk management of contractors, Members were informed that the Audit Plan was driven by the Council's risk profile. The Audit Plan and the mechanisms used to deliver it were regularly reviewed as relationships and risks changed and this was reflected in the Risk Management Framework.

It was AGREED that the Annual Report 2013/14 be noted.

5. **Fraud and Irregularities Update**

The Revenues and Benefits Manager presented a report that outlined the successful detection of fraud by the Council in 2013/14. There had been no special fraud investigations during 2013/14 by Internal Audit to bring to Members attention. With regard to Council Tax and Housing Benefit Fraud there had been 78 cases investigated of which 19 cases had been found to be irregular and overpayments of £246,588 had been identified. The number of cases where sanctions had been applied had decreased from 18 in 2012/13 to 11 in 2013/14.

Members were informed that, as in previous years, an exercise had been undertaken during 2013/14 to review council tax and NNDR discounts and reliefs. A total of 5,542 review forms were issued and this resulted in the removal of 439 discounts with an estimated value of £153,391. The Council had also participated in the Audit Commission's biennial data-matching exercise which involved reviewing Council Tax and Electoral Register data and the results were currently being reviewed.

The Revenues and Benefits Manager explained that from 1 November 2015, the benefit fraud investigation work of local authorities, DWP and HMRC would be merged into one service known as Single Fraud Investigation Service (SFIS). Therefore the Council would need to consider how to approach fraud work in the future, in order to address other areas of potentially fraudulent activity.

Following questions, Members were informed that the Council always made attempts to recover overpayments, however the amount recovered depended on the individual circumstances. For 2013/14, of the £246,588 identified there was currently £162,629 outstanding and £18,723 in relation to 2012/13. However, the expenditure for Housing Benefit and Council Tax Reduction Scheme was in excess of £22m per annum, with overpayments only amounting to 1.1% of the total spend. In addition to any money recovered, the Council also received a subsidy of 40% of the overpayment from the Government.

The Group requested that in future reports, the yearly comparison data should be displayed in a clearer format to aid understanding.

Action **Consideration be given to altering the presentation of trend data in future reports**

In response to a question, the Revenues and Benefits Manager confirmed that following the review of single person discounts in 2008, in conjunction with Experian and Northgate, 5% of discounts were removed. The process was to be repeated this year and it was anticipated that similar results would be achieved. Payment would only be made if the information received lead to the removal of a discount and the cost of the exercise would be shared between the Council Nottinghamshire County Council, the Fire Service and Nottinghamshire Police.

To put the Council's work in a national and regional context Mr Cornett, representing the Council's external auditor KPMG, presented a report on "Protecting the Public Purse Fraud Briefing" for the financial year 2012/13, that had been provided by the Audit Commission. The report outlined the cost of fraud to local government in England and provided a comparison of Rushcliffe's performance with the other local district councils in Nottinghamshire.

It was AGREED that the Fraud and Irregularities Update be noted.

6. **Health and Safety Annual Report 2013/14**

The Health and Safety Advisor presented the Health and Safety Annual Report that set out the Council's occupational health and safety performance for the period 1 April 2013 to 31 March 2014. 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. It was another good year for Health and Safety. Accident reports had decreased by 25% and the days absent from work as a result of an accident at work had decreased significantly.

The Group questioned the accident statistics for Leisure Centres and expressed surprise that East Leake had so few accidents recorded. The Health and Safety Advisor explained that it may be due to there being less risks at East Leake for example the pool was not used for recreational swimming. Therefore accidents on poolside were significantly less.

In response to a question the Health and Safety Advisor informed the Group that there was a written policy on pandemics. Members also asked if risks were reviewed based on Home Office advice and were informed that the Emergency Planner from the County Council dealt with that. He comes to talk to the Group once a year.

It was AGREED that the Group;

a) endorses the detailed information contained within the Annual Health and Safety Report;

b) notes the significant progress made against the health and safety goals and objectives previously agreed by the Group for the financial year 2013/14; and

c) endorses the proposed health and safety objectives for 2014/15 as set out in the report.

7. **Final Accounts Update 2013/14 – Annual Governance Statement and Accounting Policies**

The Service Manager - Finance and Commercial presented the draft Annual Governance Statement. Most of the principles and the framework were unchanged from the previous year though there had been a difference this year with regard to Councillor Policies and Significant Governance Issues. The six core principles were drawn up in line with CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidance.

The Group was informed that it was good practice for the Annual Governance Statement to be considered separately to the published accounts, which would be presented to the Group for consideration at the meeting in September. In line with guidance, the Annual Governance statement would be based on the details set out in appendix 2 of the report.

The Group were informed that the Statement included several significant issues for the Council highlighted at section 4.1 of the Statement

The Service Manager - Finance and Commercial discussed the Accounting Policy amendments and additions s which could be due to the following:

- International Accounting Standard changes
- Legislative changes, for example the Collection Fund accounts have been revised to reflect new arrangements for the collection and distribution of business rates.
- Internal changes at Rushcliffe.

In respect of the Collection Fund and the Nottinghamshire Pool for NNDR income, the Executive Manager - Finance and Commercial explained how this arrangement benefited the Council and did not impact on the income received.

Following a question on how the reclassification of coal power stations would impact on the Collection Fund the Executive Manager - Finance and

Commercial explained that this presented risks for the Nottinghamshire Pool as a whole, given the fact that there were a number of power stations in Nottinghamshire and that being in the pool was one way of mitigating the risk.

It was AGREED that

a) the details given in Appendix 2 of the report be supported as the basis for the Annual Governance Statement to be included in the annual Statement of Accounts; and

b) the changes to the Accounting Policies as highlighted in Appendix 3 of the report be approved.

8. **Work Programme**

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 2014/15.

The Group AGREED the Work Programme as set out below:

Date of Meeting	**Item**
4 September 2014	• Internal Audit Progress Report 2014/15 • Statement of Accounts 2013/14 • External Auditors Annual Governance Report 2013/14 • Corporate Governance Annual Report 2013/14 • Risk Management Update • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme
13 November 2014	• Internal Audit Progress Report 2014/15 • Health and Safety Interim report • Annual Audit Letter • Revenue & Capital Budget Monitoring • Work Programme
29 January 2015	• Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme

Date of Meeting	Item
26 March 2015	• 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 • Revenue & Capital Budget Monitoring • Work Programme

The meeting closed at 7.25 pm.

Action Sheet
Corporate Governance Group - Thursday 19 June 2014

Minute Number	Actions	Officer Responsible
2 Notes of the Previous Meeting	None	
3 Internal Audit Progress Report 2013/14 and 2014/15	None	
4 Internal Audit Annual Report 2013/14	None	
5 Fraud and Irregularities Update	Consideration be given to altering the presentation of trend data in future reports	Executive Manager – Finance and Commercial
6 Health and Safety Annual Report 2013/14	None	
7 Final Accounts Update 2013/14 – Annual Governance Statement and Accounting Policies	None	
8 Work Programme	None	

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Internal Audit Progress Report – September 2014/15**	**4**

Report of the Executive Manager – Finance and Commercial

1. Summary

1.1 The attached report has been prepared by the Council's internal auditors Baker Tilly. It is the first report for the financial year 2014/15 and shows the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period. Only 3 low level actions have been recommended and for both of the assignments undertaken to date substantial assurance has been given.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group notes the Internal Audit's first Progress Report for 2014/15 (**Appendix A**).

3. Reasons for Recommendation

3.1 To conform with best practice and Public Sector Internal Audit Standards; and give assurance to the Corporate Governance Group regarding the Council's internal control environment.

4. Supporting Information

4.1 The attached report highlights the completion of two audit assignments (Absence Management and Transformation Projects), with no high or medium actions. Consequently both assignments have been given substantial assurance. The majority of the audit plan is due to be completed over the next 7 months.

5. Risk and Uncertainties

5.1 If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6 Implications

6.1 Finance

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2 **Legal**

None

6.3 **Corporate Priorities**

Not applicable

6.4 **Other Implications**

None

For more information contact:	Peter Linfield Service Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Internal Audit Reports 2014/15
List of appendices (if any):	Appendix A – Internal Audit Progress Report – 2014/15

Rushcliffe Borough Council

Internal Audit Progress Report – 2014/15

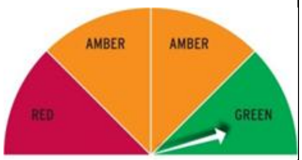
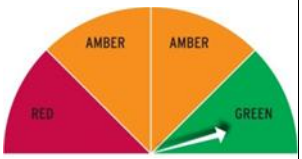
Corporate Governance Group: 4th September 2014

www.bakertilly.co.uk

Introduction

The internal audit plan for 2014/15 was approved by the Corporate Governance Group (CGG) on 23rd April 2014. 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

Assignment *(Reports considered today are shown in bold italics)*	**Status**	**Opinion**	**Actions Agreed**		
			High	**Medium**	**Low**
Absence Management (1.14/15)	***FINAL***		***0***	***0***	***3***
Transformation Projects	***FINAL***		***0***	***0***	***0***
Development Control – Pre-planning applications	Draft report				
Corporate Governance	Planned 08/09/14				
Licensing	Planned 08/09/14				
Risk Management	Planned 29/09/14				
Partnerships	Planned 03/11/14				
Main Accounting System	Planned 03/11/14				
Housing Benefits	Planned 10/11/14				
Council Tax	Planned 24/11/14				
NNDR	Planned 24/11/14				
Ordering and Creditors	Planned 12/01/15				
Follow Up	Planned 12/01/15				
Joint Co-operative Agreement	Planned 02/02/15				
Payroll	Planned 02/02/15				
Treasury, Cash & Bank	Planned 16/02/15				

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.

Internal Audit Plan 2014/15 - Change Control:

There have been no changes to the plan so far this year.

Action Plans for Key Recommendations

(Medium or High recommendations only)

Absence Management

There were no high or medium risk recommendations raised in this report.

Transformation Projects

There were no recommendations raised in this report.

Recommendation Categorisation	
Our findings and recommendations are categorised as follows:	
Priority	**Description**
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

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.

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Approval of the Statement of Accounts 2013/14**	**5**

Report of the Executive Manager - Finance and Commercial

1. Summary

1.1 This report presents the Council's statutory Statement of Accounts (**Appendix A**) for the financial year 2013/14 for consideration prior to their submission to Full Council.

1.2 This report also highlights continued improvements in the quality of the Statement and the supporting working papers that we reported last year.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group:

a) Accepts the Statement of Accounts for 2013/14 (**Appendix A**) and recommends them to Full Council for approval; and

b) Agrees the Draft Management Representation letter (**Appendix B**).

3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ('the Code') and various legislation such as the Accounts and Audit Regulations (2011); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ('the Code') and the Service Reporting Code of Practice for Local Authorities (SerCOP).

4.2 The Statement of Accounts 2013/14 at **Appendix A** is included as a separate document. Members will recall in recent years concerns raised by the auditors regarding the closure of accounts process much of which were addressed for 2012/13. Pleasingly the positive direction of travel has continued with the accounts being closed earlier, allowing for better quality assurance, and no diminution in the quality of working papers presented for audit. These are highlighted for reference in the external auditors (KPMG) 'Report to those charged with governance (ISA260) 2013/14' on the following agenda item to this report.

4.3 To quote page 3 of the KPMG report '*The Authority has good processes in place for the production of the accounts and has built upon the improvements made last year'.* Further commentary focuses on '*a thorough internal review process'* and '*good quality working papers'*.

4.4 The closure of accounts process was not without difficulty; Members should particularly note that changes to the Collection Fund as a result of the implementation of the national Business Rate Retention Scheme was undertaken despite late guidance being provided from CIPFA. This was the subject of a change in Accountancy Policy that was presented to the June meeting of this Group.

4.5 Few issues arose from the audit this year; the main one concerned cash, although it was relatively insignificant in the context of the overall Statement. Legacy issues on cash postings have been corrected with the implementation of the new cash receipting system (in December 2013). As a consequence the cash balance on the Balance Sheet has been reduced by £115k (from £16.210m to £16.095m) funded from the Council's general fund and bad debt provision. As a result the 2013/14 General Fund surplus stands at £1.844m (from £1.959m); consequently the Organisation Stabilisation Reserve now stands at £3.809m compared to the £3.924m reported to Cabinet in July 2014.

4.6 **Appendix B** details the draft management representation letter which confirms for the auditors that the Corporate Governance Group is satisfied with the validity of the financial statements provided by the Authority to KPMG. If agreed this letter will be signed at the conclusion of the meeting. **Appendix C** provides definitions of the issues addressed in this letter

5 Risk and Uncertainties

5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

6 Implications

6.1 Finance

Financial implications are covered at paragraph 4.5.

6.2 Legal

None

6.3 Corporate Priorities

Not applicable

6.4 Other Implications

None

For more information contact:	Name; Peter Linfield Service Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	
List of appendices (if any):	Appendix A – Statement of Accounts 2013/14 Appendix B – Draft Management Representation Letter Appendix C – Draft Management Representation Letter: Definitions

Appendix B

Draft Management Representation Letter

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

[Date]

[Salutation]

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council ("the Authority") for the year ended 31 March 2014, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended; and
ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]

3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.[ISA (UK&I) 450.14]

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   ii) The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:

       - statutory, contractual or implicit in the employer's actions;

- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,
- have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance Group on 4 September 2014.

Yours faithfully

Chairman of the Corporate Governance Group

Executive Manager Finance and Commercial

Appendix C

Draft Management Letter of Representation: Definitions

Financial Statements

IAS 1.10 states that "a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'."

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi. The entity is controlled, or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **External Auditor's Report To Those Charged With Governance 2013/14**	**6**

Report of the Executive Manager - Finance and Commercial

1. Summary

1.1 The purpose of this report is for KPMG, the Council's external auditors, to present their *"Report to those Charged with Governance*" for 2013/14. For Rushcliffe this responsibility is delegated to the Corporate Governance Group.

1.2 The report confirms that the Council has continued to improve the quality of the Statement of Accounts, supporting working papers whilst also speeding up the process and enhancing quality assurance arrangements. Only minor issues were identified during the audit and these are reported in the report on the Statement of Accounts at Item 5 on this agenda.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group receives the report to those Charged with Governance and determines what comments, if any, should be referred to Council with the Statement of Accounts.

3 Reasons for Recommendation

3.1 To demonstrate good governance in terms of scrutinising the Council's Statement of Accounts and compliance with International Auditing Standards.

4 Supporting Information

4.1 As part of the final accounts process KPMG as the Council's appointed auditor provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Report to those Charged with Governance which is attached at **Appendix A.**

4.2 The Statement of Accounts 2013/14 will be considered as a separate agenda item at this meeting. There are no significant adjustments to report regarding the Statement of Accounts. Representatives of KPMG will be attending the meeting to present their report and answer Members' questions.

4.3 Members will recall that last year significant improvements were made to the year-end closedown process resulting in both a good quality Statement of Accounts and supporting working papers. This report confirms the continued improvement since last year; a speedier closedown process leading to more time to quality assure documents and making the audit process more efficient for all concerned.

4.4 The headlines in the KPMG report are at page 3 and confirm an unqualified audit opinion will be issued along with a positive value for money conclusion. Key risks identified prior to the audit (pages 5 and 6) were managed appropriately. The affirmation of on-going improvement is summarised on page 7 which states *'The authority has continued to strengthen its financial reporting process and maintained its thorough internal review quality checks.'*

5 Risk and Uncertainties

5.1 Failure to comply with good governance procedures and professional accounting and audit practice could result in criticism from stakeholders, including both Members and the Council's external auditors.

6 Implications

6.1 **Finance**

There are no direct financial implications.

6.2 **Legal**

None

6.3 **Corporate Priorities**

None.

6.4 **Other Implications**

None

For more information contact:	Name; Peter Linfield Service Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2013/14
List of appendices (if any):	Appendix A – KPMG Report to those charged with governance (ISA260) 2013/14

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Report to those charged with governance (ISA 260) 2013/14

Rushcliffe Borough Council

September 2014

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

Scope of this report

This report summarises the key findings arising from:

- our audit work at Rushcliffe Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. The Authority identified a minor reporting adjustment to the cash balance in the balance sheet which was adjusted by the Authority and therefore will be reflected in the final set of accounts.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and has built upon the improvements made last year. We noted that the Authority has maintained a thorough internal review process. This resulted in the draft set accounts and accompanying working papers being of a good quality. This was achieved by the Authority despite a shorter closedown period. Officers were proactive in dealing with audit queries throughout the audit process meaning responses were timely and of a good standard resulting in fewer follow-up queries. The above factors facilitated a smooth audit process which has been completed within the planned timescales. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately as set out on pages 5 and 6.
Control environment	The Authority's organisational control environment is effective overall, and we have not identified any significant weaknesses in controls over key financial systems. As part of our audit work we reviewed the implementation of the new cash receipting system. Despite initial teething problems common with many system implementations the finance team worked hard to overcome these and the system is now operating with no significant issues.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.

Proposed opinion and audit differences

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Council on 25 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. One amendment to the cash balance was made during the audit. The detail of this has been reported to you by the finance team.

We did identify a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. These included a presentational adjustment in relational to the revaluation of land and buildings and a minor adjustment to the exit packages disclosure. Both of these have been amended.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in April 2014, we identified the key risks affecting the Authority's 2013/14 financial statements. Since then we also added an additional risk around the accounting for the business rate retention scheme, which we have detailed below. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key audit risk	Issue	Findings
	During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council who administer the Pension Fund.	As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data. We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.

Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
New cash receipting system	The Council implemented a new cash receipting system in year. As with the implementation of any new material information system we needed to consider how the Council had implemented and tested the new system to provide itself with assurance that it was operating effectively The cash balances to be included in the financial statements for 2013/14 will be based on the output of the new cash receipting system. There was a risk that the new cash receipting system may not be operating effectively which will subsequently impact on the accuracy of the bank reconciliation and cash figures in the accounts	We reviewed the timeline of the implementation of the new cash receipting system and testing. Despite initial teething problems common with many system implementations we found that the finance team worked hard to overcome these and the system is now operating with no issues. Going forward the finance team are planning to review and streamline the bank reconciliation process.
Business rate retention scheme	On 1 April 2013 a new system of business rate retention began which saw the Council enter into a pooling arrangement with the other Nottinghamshire district councils. Some of the guidance relating to the changed requirements was late in being issued. This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.	We reviewed the accounting treatment for the new pooling arrangements and found it to be inline with the CIPFA guidance.

We have noted an improvement in the quality of the accounts and the Authority has maintained the good supporting working papers following improvements implemented last year.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has continued to strengthen its financial reporting process and maintained its thorough internal review quality checks. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 25 February 2014, and discussed with the Service Manager – Finance and Commercial, set out our working paper requirements for the audit. Following feedback on last year's audit we also provided the *Accounts Audit Protocol* in a spreadsheet format to assist officers in allocating and compiling the working papers. The quality of working papers was of a good standard and assisted the delivery of a smooth audit engagement.
Response to audit queries	Officers were proactive in resolving audit queries, this meant responses were timely and of a good standard so that often there were no follow-up queries, allowing issues to be resolved quickly and effectively.

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

During April 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Rushcliffe Borough Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 1 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Executive Manager – Finance and Commercial for presentation to the Corporate Governance Group. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Corporate Governance Group.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 1: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Rushcliffe Borough Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Rushcliffe Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

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Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Treasury Management Outturn Position 2013/14**	**7**

Report of the Executive Manager – Finance and Commercial

1. Summary

1.1 The purpose of this report is to summarise the transactions undertaken during the 2013/14 financial year as part of the Treasury Management function.

1.2 In addition the Corporate Governance Group received the half-yearly treasury management update report on 7 November 2013 and a training session from the Council's treasury advisors, Arlingclose, which was well received by Members across the Council.

2. Recommendations

It is recommended that the report be agreed by the Corporate Governance Group.

3 Reasons for Recommendation

3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code)

4 Supporting Information

Prudential Indicators

4.1 During 2013/14 the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Prudential and treasury indicators	2012/13 Actual £000	2013/14 Estimate £000	2013/14 Actual £000
Capital expenditure	7,558	5,413	4,010
Total Capital Financing Requirement:	0	0	0
Investments(all under 1 year)	(33,460)	(33,000)	(33,333)
External Debt	0	0	0
Net Borrowing	(33,460)	(33,000)	(33,333)

4.2 The approved capital programme for 2013/14 was £5.41 million. Actual expenditure against the approved programme was £3.44 million with carry forwards of £1.57 million approved by Cabinet on 1 July 2014 and savings totalling £412,000. Consequently there was no need to borrow and hence no change in the Capital Financing Requirement (CFR). It should be noted, however, that other capital financing adjustments totalling £575,000 were brought in to the capital programme at the year-end which resulted in capital expenditure totalling £4.01 million. These adjustments primarily related to the release of S106 contributions received as part of Planning Agreements.

Capital Expenditure and Financing

4.3 The Council undertakes capital expenditure on both its own long-term assets and on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc) which has no resulting impact upon the Council's borrowing need; or

- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.4 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2012/13 Actual £000	**2013/14 Estimate £000**	**2013/14 Actual £000**
Total Capital Expenditure	**7,558**	**5,413**	**4,010**
Financed by:			
Capital Receipts	(3,672)	(3,291)	(2,008)
Capital Grants	(3,821)	(1,835)	(1,624)
Revenue	(65)	(287)	(378)
Total Resources used to finance Capital Expenditure	**(7,558)**	**(5,413)**	**(4,010)**
Unfinanced Capital Expenditure	**0**	**0**	**0**

The Council's Overall Borrowing Need

4.5 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Required (CFR). This figure is a gauge of the Council's debt position and represents the net capital expenditure in 2013/14 and prior years that has not yet been paid for by revenue or other resources.

4.6 Part of the Council's treasury management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLB).

4.7 Whilst borrowing can be undertaken within the confines of the treasury management strategy, the Council's underlying borrowing need, CFR, is not allowed to rise indefinitely. The Council would be required by statute to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the CFR if it was positive which is effectively a repayment of the borrowing need. For 2013/14, the MRP is nil and the CFR remained static at (£505,000).

4.8 The total CFR can be reduced by:

- The application of additional resources (such as unapplied capital receipts); or

- Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

4.9 The Council's CFR for 2013/14 represents a key prudential indicator and is shown below. The table shows that the Council has a negative CFR so therefore has no underlying need to borrow based on its current approved Capital Programme.

Capital Financing Requirement (CFR)	**2012/13 Actual £000**	**2013/14 Actual £000**
Opening Balance	**(505)**	**(505)**
Add: unfinanced Capital Expenditure (per above)	0	0
Less: MRP/VRP	0	0
Closing Balance	**(505)**	**(505)**

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR and by the authorised limit.

Net Borrowing and the CFR

4.10 In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. The Council needs to ensure that its net borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and the following two financial years. This indicator allows the Council some flexibility for limited borrowing in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR.

	2012/13 Actual £000	**2013/14 Actual £000**
Net Borrowing Position	(33,460)	(33,333)
CFR	(505)	(505)

Authorised Limit and Operational Boundary for External Debt

4.11 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 in the short term to maximise treasury management opportunities and cover temporary cash flow shortfalls. The table below demonstrates that during 2013/14 the Council has maintained gross borrowing within its authorised limit.

4.12 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 over the boundary subject to the authorised limit not being breached.

	Operational Boundary 31 March 2014 £000	Authorised Limit 31 March 2014 £000	Actual External Debt 31 March 2014 £000
Borrowing	4,000	13,000	0
Other Long-Term Liabilities	0	0	0
Total	4,000	13,500	0

The Ratio of Financing Costs to Net Revenue Streams

4.13 This compares net financing costs (borrowing costs less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs is changing over time and is negative as a result of investment yields exceeding borrowing costs.

	2012/13 Actual	2013/14 Estimate	2013/14 Actual
General Fund	-2.87%	-2.31%	-2.35%

Incremental Impact of Capital Investment Decisions

4.14 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.

	2012/13 Actual £	2013/14 Estimate £	2013/14 Actual £
Increase in Council Tax – Band D	-3.03	0.21	0.32

Upper Limits for Fixed and Variable Rate Exposure

4.15 The purpose of these indicators are to allow the Council to manage the extent to which it is exposed to changes in interest rates:

	2013/14 Estimate	2013/14 Actual
Fixed		
Upper Limit for Fixed Interest Rate Exposure on Debt	100%	0%
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25%	0%
Upper Limit for Fixed Interest Rate Exposure on Investments up to 1 year	100%	64.5%

	2013/14 Estimate	2013/14 Actual
Variable		
Upper limit for Variable Interest Rate Exposure on Debt	100%	0%
Upper Limit for Variable Interest Rate Exposure on Investments	100%	35.5%

Upper Limit for Total Principal Sums invested over 1 year

4.16 This limit is intended to contain the 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 had to be repaid before its natural maturity date due to cash flow requirements then, if market conditions were unfavourable, there would be an adverse impact on the Council.

	2013/14 Estimate £000	2013/14 Actual £000
Upper Limit for Total Principal Sums Invested over 1 year	12,900	0

Treasury Position at 31 March 2014

4.17 The Council's debt and investment position is managed by the treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through the Member reporting detailed in paragraph 3 and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2013/14.

Financial Institution	Amount £	Length of Investment	Interest Rate
Barclays Bank	£5,000,000	12 months	0.85%
Barclays Bank	£5,000,000	12 months	0.84%
Standard Chartered	£2,000,000	6 months	0.53%
Standard Chartered	£1,000,000	6 months	0.53%
Bank of Scotland	£1,500,000	6 months	0.68%
Bank of Scotland	£1,000,000	3 months	0.60%
Close Brothers	£3,000,000	3 months	0.60%
Lloyds Bank	£2,000,000	3 months	0.60%
Nationwide	£1,000,000	3 months	0.47%
Aviva	£7,208	Call	0.1988%
BlackRock	£2,136	Call	0.341%
CCLA	£24,177	Call	0.3329%
Goldman Sachs	£51,949	Call	0.3178%
Invesco	£1,923	Call	0.33%
Bank of Scotland	£99,852	Call	0.40%
Handelsbanken	£4,973,585	Call	0.60%
Royal Bank of Scotland	£1,465	Call	0.65%
Santander	£6,670,551	Call	0.40%
Total Investments/Average Interest Rate	**£33,332,846**		**0.63%**

The strategy for 2013/14

4.18 The expectation for interest rates within the strategy for 2013/14 anticipated that the Bank Rate would remain static at 0.5% and that short term money market rates would remain at very low levels. The Council continued with the prudent investment of the treasury balances to achieve the objectives of security of capital and liquidity of its investments whilst achieving the optimum return on investments. The continuing instability of the market resulted in restrictions remaining on which counterparties investments could be placed with and the duration they could be placed for, which affected the level of interest that could be achieved from investments.

Investment Rates and Outturn Position in 2013/14

4.19 The Bank Rate remained at 0.5% throughout the year; it has now remained unchanged for five years and short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The overall rate of return on investments for the year was 0.63% which was above the base rate. However, the rate achieved is less than projected in the budget, which assumed that rates would start to increase during the year. However as cash balances were higher than originally projected the Treasury Management function provided a return of £272k, £22k higher than that anticipated in the budget.

4.20 The Council's investment policy is governed by the annual investment strategy approved by Council on 7 March 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

4.21 The Council's longer term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances remain in a healthy position given the on-going financial challenges going forward.

Balance Sheet Resources	**31 March 2013 £000**	**31 March 2014 £000**
General Fund Balance	2,604	2,604
Earmarked Reserves	8,378	10,222
Provisions	56	180
Usable Capital Receipts	12,663	10,949
Capital Grants Unapplied	487	412
Total	**24,188**	**24,367**

Update on the use of alternative investments in Funding Circle and Property Funds for 2014/15

4.22 To assist with the development of a diverse investment portfolio two further counterparties, Funding Circle and the Local Authorities Property Fund, were added to the approved 'Counterparties List' in 2013/14.

4.23 During September the Council will launch its intention to invest up to £500,000 in Funding Circle which is a company that provides Local Authorities with an opportunity to invest in Small and Medium Enterprises with good credit ratings who are looking to access peer funding. Investments will be limited to companies that are located either in Rushcliffe or which, due to their geographical proximity, could provide employment or other benefits to residents of the Borough.

4.24 The Council invested £1 million in July with the Local Authorities Property Fund which is a pooled investment fund managed by CCLA. The Property Fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector across the country.

Conclusion

4.25 Treasury Management continues to be a difficult area. Officers will continue to be vigilant and report any significant issues to this Group. Overall the Council has successfully achieved its objectives of ensuring investments which were held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve the maximum yield on investment returns possible within the constraints placed upon the Council.

5 Risk and Uncertainties

5.1 The report covers many treasury risks including counterparty and interest rate risk.

6 Implications

6.1 **Finance**
Financial implications are covered in the body of the report.

6.2 **Legal**
Compliance with the Local Government Act 2003.

6.3 **Corporate Priorities**
Efficient treasury management enables the Council to achieve its corporate priorities.

6.4 **Other Implications**
None.

For more information contact:	Name; Peter Linfield Service Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2013/14; Treasury Management Strategy 2013/14
List of appendices (if any):	None

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Revenue and Capital Budget Monitoring 2014/15 – Quarter 1 Update**	**8**

Report of the Executive Manager - Finance and Commercial

1. Summary

1.1 This report presents the budget position for revenue and capital as at the 30 June 2014 along with appropriate recommendations for referral to Cabinet. 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.

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group note:

a) the projected revenue and capital underspend positions for the year of £605k and £1,858k respectively;

b) the recommendation to Cabinet to increase the Members' Community Support Scheme budget from £25k to £50k, to be funded from New Homes Bonus; and

c) the recommendation to Cabinet to approve the new capital budgets of £500k for Funding Circle and £516k for the loan to Streetwise Environmental Ltd.

3 Reasons for Recommendation

3.1 To demonstrate good governance in terms of scrutinising the Council's on-going financial position and compliance with Council Financial Regulations.

4 Supporting Information

Revenue Monitoring

4.1 The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2014 attached at **Appendix B**. This shows an underspend against profiled budget to date of £431,000 and a projected underspend for the year of £605,000. It is anticipated that this will continue to improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.

4.2 As documented at **Appendix B** the underspend to date reflects a number of positive variances including significant income from planning fees arising from a number of major applications, green waste income and the lack of current calls made on the contingency budget. It should be noted that the Members' Community Support Scheme budget will increase by £25k to £50k which will be funded from the New Homes Bonus Reserve.

4.3 A number of additional grants have also been received (totalling £162k) to assist the Council in meeting specific service expenditure pressures due to statutory changes being introduced by the Government. These are in relation to Small Business Rates Relief (SBRR), and both welfare and electoral reform.

Capital Monitoring

4.4 The updated Capital Programme monitoring statement as at June 2014 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below:-

CAPITAL PROGRAMME MONITORING - JUNE 2014			
EXPENDITURE SUMMARY	**Current Budget £000**	**Projected Actual £000**	**Projected Variance £000**
Transformation	1,840	1,973	133
Neighbourhoods	1,668	1,326	(342)
Communities	724	678	(46)
Corporate Governance	339	339	0
Finance & Commercial	4,420	3,061	(1,359)
Contingency	244	0	(244)
	9,235	**7,377**	**(1,858)**
FINANCING ANALYSIS			
Capital Receipts	(5,186)	(3,343)	1,843
Government Grants	(340)	(340)	0
Other Grants/Contributions	(592)	(544)	48
Use of Reserves	(3,117)	(3,150)	(33)
	(9,235)	**(7,377)**	**1,858**
NET EXPENDITURE	**-**	**-**	**-**

4.5 The projected outturn on the capital programme remains lower than the budget, with a £1.858m underspend predicted largely due to the expected loan to Nottinghamshire County Cricket Club having not yet been requested. Further variance explanations are detailed below.

4.6 **Transformation**
The projected actual of £1.9million is in excess of the current approved budget (£1.8million) primarily as a result of changes to the plans for the re-development of Bridgford Hall. This was the subject of a Cabinet report on 1 July 2014. Heritage Lottery funding of £2million is currently being sought for this scheme. In the event that this is not successful, potential expenditure could be £1.3million and this sum has been provisionally included in the projected actual. Formal adjustments will need to be made to the programme when the outcome of the bid is known. Offsetting this additional expenditure is potential slippage on the acquisition of strategic properties on the Cotgrave Masterplan project as negotiations continue.

4.7 **Neighbourhoods**

A variance of just over £300,000 is currently projected, the majority of which relates to investment in Social Housing. The projected actual is based on grants for known social housing scheme commitments. Any unspent balance in this provision will be carried forward to support new schemes in future years. Expenditure on Disabled Facilities Grants continues to be steady and regularly monitored. One 32 tonne refuse freighter has been purchased so far under the vehicle replacement programme.

4.8 **Communities**

Projected expenditure is largely in line with the current programme with the exception of Capital Grant Funding. The projected actual for this is based on known grant commitments but claims continue to be assessed during the year and new grants could still be approved. A contract has been awarded for the redevelopment of Alford Road Pavilion (£307,000). Work started on site in July and should be completed by late November.

4.9 **Corporate Governance**

The in-year provision of £220,000 has been supplemented by a brought forward of £119,000 from 2013/14 to support infrastructure and Channel shift web enhancement commitments together with technologies arising from the Leisure Strategy capital project. Expenditure to date includes: ICT replacement kit, technical infrastructure and applications.

4.10 **Finance & Commercial**

A significant variance of £1.39 million is currently showing primarily due to the uncertainty in the timing of the release of a loan to Nottinghamshire County Cricket Club for re-development of their facilities and the payment of a contribution towards the work on the A453. The projected actual for these two schemes will be reassessed when more information is known. The potential underspend on these two schemes is partially offset by the variance of £516,000 showing for the Streetwise loan. This is the amount required to enable the company Streetwise Environmental Ltd to purchase vehicles from the fleet for service delivery. To meet accounting requirements an allowance of £500,000 is also required in relation to potential investments via Funding Circle which represents part of the Council's commitment to economic development and the aim of providing loans to local businesses. Over time such loans will be repaid resulting in a cost neutral impact on overall capital resources. There is always the risk of bad debts although this is mitigated by the credit rating of organisations and the higher levels of interest payable on commercial loans. The scheme is due to commence in mid-September and is in accordance with the Council's Treasury Management Strategy. The capital programme will need to be adjusted to approve budgets totalling £1,016,000 to be funded in the short term from capital receipts. Work will commence later in the year on the Leisure Strategy and Office Accommodation project. There have been no requests made on capital contingency at this stage.

4.11 **Summary**

The report overall projects underspends for both revenue and capital. It should be noted it is early in the financial year and opportunities and challenges can arise which may impact on the projected year-end position. There remain external financial pressures from developing issues such as the impact of 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 over its expenditure, identifies any impact from income streams and maintains progress against its Transformation Strategy.

5 Risk and Uncertainties

5.1 Failure to comply with Financial Regulations in terms of reporting on both revenue and capital budgets could result in criticism from stakeholders, including both members and the Council's external auditors.

6 Implications

6.1 Finance

Financial implications are covered in the body of the report.

6.2 Legal

None

6.3 Corporate Priorities

Changes to the budget enable the Council to achieve its corporate priorities.

6.4 Other Implications

None

For more information contact:	Name; Peter Linfield Service Manager - Finance and Commercial 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A –Revenue Outturn Position 2014/15 – Quarter 1 Appendix B – Revenue Variance Analysis Explanations Appendix C – Capital Programme 2014/15 – Quarter 1 Position

Appendix A

Revenue Outturn Position 2014/15 – Quarter 1

	Q1 Position - excl recharges				Total Costs				
	Budget YTD £'000	Actual YTD £'000	Variation £'000		Budget £'000	Projected Outturn £'000	Total Variation £'000	Variation %	Explanation
Corporate Governance and Operations	854	820	-34		1,401	1,417	16	1.14	Increase in Members' Community Support Scheme funded by NHB (see below); and electoral registration costs funded by grant (see below)
Communities	246	-56	-302		2,572	2,330	-242	-9.41	Additional Planning Income
Neighbourhoods	172	13	-159		4,266	4,139	-127	-2.98	Additional Green waste, home alarms and depot income
Finance & Commercial	5662	5793	131		3,736	3,646	-90	-2.41	Assumes no call on contingency
Transformation	240	198	-42		3	3	0	0	
Sub-total	**7,174**	**6,768**	**-406**		**11,978**	**11,535**	**-443**	-3.7	
Capital Accounting Adjustments	-1,514	-1,514	0		-1,514	-1,514	0	0	
Grant Income (including NHB)	-1,981	-1,981	0		-1,981	-2,143	-162	-8.18	£100k SBRR, £48k elections, £14k welfare reform
Transfer to/from (-) reserves	1,279	1,254	-25		1,254	1,254	0	0	Reduction £25k to fund Members' Community Support Scheme
Revenue contribution to capital	277	277	0		277	277	0	0	
Total	**5,235**	**4,804**	**-431**		**10,014**	**9,409**	**-605**	**-6**	

Appendix B

Revenue Variance Analysis Explanations

ADVERSE VARIANCES	Variance YTD £'000	Projected Outturn £'000
Corporate Governance		
Electoral Registration – Agency & IER[1] costs – funded by Government Grant	12	20
Finance & Commercial		
Finance – Agency costs partially offset by salary savings	21	40
Total Adverse Variances	33	60

FAVOURABLE VARIANCES	Variance YTD £'000	Projected Outturn £'000
Communities		
Development Control - Increased Application Fees	-202	-164
Building Control - Write back of unused provision	-43	-6
Finance & Commercial		
Finance - Contingency dependant on risks identified	0	-111
Neighbourhoods		
Home Alarms - Increase in Metropolitan Housing Trust customers	-7	-29
Waste Collection - Green Waste invoices.	-34	-57
Depot –Nottinghamshire County Council lease of Garage	0	-40
Total Favourable Variances	**-286**	**-407**
Sum of Minor Variances	**-153**	**-96**
TOTAL VARIANCE	**-406**	**-443**

[1] Individual Electoral Registration

Appendix C

Capital Programme 2014/15 – Quarter 1 Position

CAPITAL PROGRAMME MONITORING - JUNE 2014				
	Actual YTD	**Current Budget**	**Projected Actual**	**Variance**
	£000	**£000**	**£000**	**£'000**
TRANSFORMATION				
Cotgrave Masterplan	149	729	363	(366)
The Point Enhancements	0	80	30	(50)
Civic Centre Vacant Space Works	75	120	120	0
Civic Centre Enhancements - External Works	11	41	25	(16)
Cotgrave Precinct Enhancements	0	50	50	0
Bingham Market Place Improvements	0	60	60	0
Bridgford Hall Refurbishment	4	650	1,300	650
Civic Centre Enhancements - General	0	85	0	(85)
Footpath Enhancements	0	25	25	0
	239	**1,840**	**1,973**	**133**
NEIGHBOURHOODS				
Discretionary Support Grants	8	60	30	(30)
Support for Registered Housing Providers	3	840	565	(275)
Wheeled Bins Acquisition	12	60	55	(5)
Disabled Facilities Grants	106	408	408	0
Vehicle Replacement	170	300	268	(32)
	299	**1,668**	**1,326**	**(342)**
COMMUNITIES				
Community Partnership Reward Grants	3	28	28	0
Nottinghamshire County Cricket Club - Grant	0	90	90	0
Alford Road Pavilion Redevelopment	0	350	350	0
Rushcliffe Country Park - Play Area	82	86	86	0
Capital Grant Funding	27	105	59	(46)
Play Areas - Special Expense	0	62	62	0
The Hook Multi Use Games Area	3	3	3	0
	115	**724**	**678**	**(46)**
CORPORATE GOVERNANCE				
IS Strategy	35	339	339	0
	35	**339**	**339**	**0**
FINANCE & COMMERCIAL				
Keyworth Leisure Centre - Pitch Upgrade	25	25	25	0
Leisure Strategy/Office Accommodation	35	2,020	2,020	0

CAPITAL PROGRAMME MONITORING - JUNE 2014				
	Actual YTD	**Current Budget**	**Projected Actual**	**Variance**
Nottinghamshire County Cricket Club - Loan	0	2,000	0	(2,000)
Funding Circle Loan			500	500
Streetwise Loan	0	0	516	516
Dualling of A453 - Contribution	0	375	0	(375)
	60	**4,420**	**3,061**	**(1,359)**
CONTINGENCY				
Contingency	0	244	0	(244)
	0	**244**	**0**	**(244)**
TOTAL	**748**	**9,235**	**7,377**	**(1,858)**

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Annual Report 2013/14**	**9**

Report of the Executive Manager - Finance and Commercial

1. **Summary**

1.1. The annual report provides a review of the work undertaken by the Group during the scrutiny year 2013/14. Each of the four scrutiny groups prepares an annual report and these are incorporated into a summary annual scrutiny report to be presented to full Council.

1.2. During the year Corporate Governance Group has scrutinised the following:

- Health and safety annual report 2012/13
- Annual governance statement 2012/13
- Fraud and irregularities 2012/13
- Statement of accounts and external auditor's report
- Internal audit progress report 2013/14
- Changes to the Constitution – member champions
- Potential relocation of the Civic Centre and funding models for the development of the Arena site
- Financial services and treasury management
- Risk management
- Revenue and capital budget monitoring
- Treasury Management strategy 2014/15 to 2018/19

1.3 More details of the Group's consideration of these topics are provided within the appended report. The Group is asked to review the report and consider if it fully reflects the work undertaken.

2. **Recommendation**

It is RECOMMENDED that the Corporate Governance Group approve the report and forward it to Council for consideration.

3. **Implications**

3.1. **Finance**

There are no direct financial implications arising from this report.

3.2. **Legal**

There are no direct legal implications arising from this report

3.3. **Corporate Priorities**

The Group's work programme assists the Council in delivering its Corporate Priorities.

3.4. **Other Implications**

There are no other implications.

For more information contact:	Name Peter Steed Executive Manager - Finance and Commercial 0115 914 8337 email psteed@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Corporate Governance Group's Annual Report 2013/14

Corporate Governance Scrutiny Group

Annual Report 2013/14

Chairman's Foreword

This brief foreword looks back on the productive year of the Corporate Governance Group in 2013/14. It has been an interesting and challenging role. Particularly in these tough economic times.

The scrutiny process is vital to challenge and influence how the Council makes decisions to ensure a high service quality. The report demonstrates the variety of areas which the Corporate Governance Group has scrutinised over the past year and the actions taken to ensure the probity and soundness of the Council's decisions.

On a personal note, I would like to thank all members of the Group, particularly my Vice Chairman, Councillor Plant, and the Council's staff for their help and support for the scrutiny process over the past year.

Councillor G S Moore
Chairman, Corporate Governance Group

What are we responsible for?

The main roles for Rushcliffe's four Scrutiny Groups are to:

- Develop a work programme which scrutinises important issues for the community

- Ensure that the work of the Group helps with implementing Council plans and policies;

- Review and question the agreed policy and services and make recommendations to Cabinet and Council to improve performance and services

- Ensure the work contributes to the delivery of best value, continuous improvement and best practice.

The Corporate Governance Group's Remit

The Corporate Governance Group is a scrutiny committee constituted under section 21 of the Local Government Act 2000. The Group's responsibilities include:

- **Statement of Accounts** To examine the outturn and statement of accounts and make comments and recommendations to Council.

- **Annual Governance Statement** To consider the annual report on applying the Council's system of internal control and make recommendations to Cabinet on improvements/changes in practice and the acceptance of a draft Statement. This statement ultimately comprises a key element of the Council's Statement of Accounts.

- **Treasury Management** To consider the annual and interim reports on Treasury Management activity and ensure that practice has complied with the approved Treasury Management Strategy, making recommendations to Cabinet as appropriate.

- **Protecting against fraud** To consider the annual report on fraud and irregularities in order to make an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements. To consider any matters arising as a result of irregularity referred to it by Cabinet.

- **Capital and Revenue Budget Monitoring** To consider regular reports on progress against the revenue and capital budget, making recommendations to Cabinet on matters requiring its approval and where progress is considered to be unsatisfactory.

- **Internal Audit** To consider periodic reports on the more significant findings of internal audit in order to make an informed judgement on corporate governance and internal control statements, making recommendations to Cabinet on improvements.

- **Risk Management** To consider periodic reports on controls over key risk areas as identified in the risk register in support of making an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements.

Our work this year

Health and Safety

In June 2013 Members considered the annual health and safety report for 2012/13 with a further update in November 2013. All health and safety training needs had either been delivered or would be delivered in the first quarter of the new financial year. In January 2012, the Depot started a new initiative by developing a health and safety calendar with a different safety topic for each month. Topics covered ranged from, slips, trips and falls, hand hygiene, wearing of personal protective equipment, safe reversing, mobile phone use.

The Group were informed that

- the Council reviewed its policies regularly to ensure that they remained effective
- the number of reported accidents remained low
- a scheduled inspection of the recycing2go service by the Health and Safety Executive (HSE) had been very positive
- following an inspection of Hound Road Hostel a number of minor recommendations had been suggested; all of which have been actioned.

Annual Governance Statement

The draft Annual Governance Statement was agreed by the Group in June 2013.

Fraud and Irregularities 2012/13

In the June 2013 meeting the Group discussed the annual report on fraud and irregularities for 2012/13. There had been no special fraud investigations during 2012/13 by Internal Audit. There had been 72 cases of housing and council tax benefit fraud investigated and around £40,000 cases of overpayments identified. The Council Tax Single Person Discounts were reviewed, resulting in removal of 135 discounts with an estimated value of £48,060.

Statement of Accounts and External Auditor’s Report

Members considered the Council’s Statement of Accounts for 2012/13 at their meeting in September 2013. The Council’s external auditors, KPMG, reported on the outcomes of their work on the Council’s accounts; the Authority’s overall economy, efficiency and effectiveness; and the successful actions taken by the Council to address the key risks which had been identified prior to the commencement of the Audit. This work resulted in the Council again obtained an unqualified opinion on the accounts and, as a result, the Group recommended its acceptance by full Council.

Internal Audit

The Council's internal auditors, Baker Tilly, attend and provide progress reports at all meetings alongside an annual report for 2012/13 which was considered in September 2013. During 2012/13 there were a number of delays in the audit programme due to resource issues with the internal audit providers. Corporate Governance Group provided an on-going oversight of these issues to ensure that the agreed programme of work was finalised within the revised timescales agreed by the Executive Manager (Finance and Commercial).

Member Champions

The Group debated the introduction of Member champions to complement and support the responsibilities of Cabinet Portfolio Holders and agreed to refer the matter to Council.

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

At the request of Cabinet in November 2013 Members considered aspects of the potential relocation of the Civic Centre and the funding of Arena redevelopment project. Corporate Governance Group supported the proposals and provided guidance to Cabinet primarily on the potential funding of the redevelopment project.

Treasury Management

The treasury management aspect of the Group's work addresses the investment practice and policies applied by the Council. The mid-year report in September 2013 reflected how the Council had invested its money, the rate of return achieved and the counterparties that had been used. At this meeting the Group recognised the increasing challenges that the Executive Manager and his team face in obtaining investment income whilst ensuring the continued safety of the Council's funds and endorsed changes to the counterparty limits (i.e. the level of investment that can be made with an external organisation) and the inclusion of Funding Circle and the Local Authorities Property Fund as potential vehicles for future investments.

Members considered the Treasury Management Strategy 2014/15 to 2018/18 and recommended its approval to Council. To assist Members with their understanding of what can be a very a technical business area in January 2014 the Council's Treasury advisors, Arlingclose, provided a workshop for all Members.

Risk Management

A report to the February 2014 meeting highlighted that the Council's risk management arrangements had been reviewed to address issues identified by the annual internal audit of risk management arrangements, which had been allocated an amber/red opinion. The Risk Register had been updated to reflect current risks including protecting residents from flooding.

Capital and Revenue Budget Monitoring

The Group received regular updates on the Council's capital and revenue budgets for 2013/14 and the financial outturn for 2013/14.

Looking forward to the year ahead

The Group is keen to build on the good work undertaken this year and will continue to deliver a work programme focusing on relevant issues so that it influences how services are delivered and how decisions are made. In particular, the Group will look to develop a programme of activities that fits within its area of expertise and helps to add further value to scrutiny's role as a 'critical friend'.

Rushcliffe Borough Council	**Corporate Governance Group** **4 September 2014** **Work Programme**	**10**

Report of the Executive Manager - Operations and Corporate Governance

1. Summary

1.1. 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.

1.2. The 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.

2. Recommendation

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

3. Reasons for Recommendation

Date of Meeting	Item
4 September 2014	• Internal Audit Progress Report 2014/15 • Statement of Accounts 2013/14 • External Auditors Annual Governance Report 2013/14 • Corporate Governance Annual Report 2013/14 • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme
13 November 2014	• Internal Audit Progress Report 2014/15 • Health and Safety Interim report • Annual Audit Letter • Revenue & Capital Budget Monitoring • Risk Management Update • Work Programme
29 January 2014	• Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme

Date of Meeting	Item
26 March 2014	• 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 • Revenue & Capital Budget Monitoring • Work Programme

4. Implications

4.1. Finance

No direct financial implications arise from the proposed work programme.

4.2. Legal

There are no direct legal implications arising from the proposed work programme.

4.3. Corporate Priorities

Items included in the work programme assist the Council to meet its Corporate Priorities.

4.4. Other Implications

There are no other implications.

For more information contact:	Name: Member Services 0115 914 8482 email memberservices@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None