



**NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 4 SEPTEMBER 2014**

Held at 7.00 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, J E Thurman and H Tipton

ALSO IN ATTENDANCE:

Councillor S J Robinson
N Bellamy KPMG
R Walton KPMG
C Williams Baker Tilly

OFFICERS PRESENT:

P Linfield Service Manager - Finance and Commercial
P Steed Executive Manager - Finance and Commercial
E Walters Democratic Services Assistant

APOLOGIES FOR ABSENCE:

There were no apologies for absence

9. Declarations of Interest

There were none declared.

10. Notes of the Previous Meeting

The notes of the meeting held on Thursday 19 June 2014 were accepted as a true record.

11. Internal Audit Progress Report – September 2014/15

Mr Williams, a representative from Baker Tilly, the Council's internal auditors, informed Members that in line with the audit plan two reports had been finalised since the last meeting of the Group, for the areas of Absence Management and Transformation Projects. These two areas had received a green assurance level, the highest achievable.

Mr Williams informed Members that two further reports had been completed in draft for the areas of Development Control and Corporate Governance. Mr Williams did not anticipate there being any changes to the internal audit programme.

In response to a question, Mr Williams clarified the areas looked at when auditing transformation and stated that this included the Cotgrave regeneration project. The audit covered the internal delivery of services and the range of controls within the department responsible for transformation. Mr Williams made it clear that the audit looked at systems and processes of the transformation team rather than the end result.

It was AGREED that the Internal Audit Progress Report be noted.

12. **Approval of the Statement of Accounts 2013/14 and External Auditors Report To Those Charged With Governance 2013/14**

The Executive Manager – Finance and Commercial presented a report outlining the Council's statutory Statement of Accounts for 2013/14. Despite the challenges faced there had been no major issues identified. There was ongoing work to reduce the size of the accounts and a conversation was taking place with KPMG around targeting the important areas.

Mr Bellamy presented the External Auditor's Report to those Charged with Governance 2013/14. The key point was that the auditors were proposing an unqualified opinion on both the Authority's financial statements and Value For Money. The only possible area for concern was the legacy issues on cash but the external auditors were comfortable with the situation and the way it was being dealt with. The audit had gone smoothly, the working papers were provided in a timely manner and the responses were good. The Authority was in a good position with regards the proposals to bring forward the deadline in the future. Mr Bellamy also highlighted page 34 of the report where it stated that the Authority had a strong financial reporting process. Mr Bellamy stated that the Draft Management Representation Letter at Appendix B was the standard letter and it was not necessary to add in representations from officers.

Members raised the issue of Pension Liability on page 5 of the Statement of Accounts and expressed surprise that this amount had increased given that the Authority had been reducing staff numbers. The Executive Manager – Finance and Commercial explained that this was down to the triennial review and reflected a number of factors including the increasing life expectancy of employees. In addition, due to investments being put into equities the figure reflected the lack of growth in the stock market. In response to a further question it was clarified that page 4 of the Statement of Accounts does not show the pension costs separately.

In relation to page 5 of the Statement of Accounts, The Executive Manager – Finance and Commercial clarified how the Council's Net Value was affected. He informed Members that the majority of Authorities had a recovery mechanism to deal with the underlying deficits on their pension funds which was usually between 20 and 30 years and it was very unusual to find an authority that did not use these timescales.

In response to a question Mr Bellamy stated that as well as looking at pensions as part of the audit of the Authority, KPMG also audited the pension fund itself.

In answer to a question on the subject of any areas upon which the Council could improve, Mr Walton stated that the accounts are very full and CIPFA had issued guidance encouraging Councils to unclutter their accounts. Mr Walton expressed a wish to work together with the Authority to make the accounts more readable for the general public. The Executive Manager – Finance and Commercial condoned this course of action and highlighted the importance of improving visibility and transparency.

It was AGREED that the Group

- a. Accepted the Statement of Accounts for 2013/14 and recommended them to Council for approval,
- b. Endorsed the Draft Management Representation Letter, and
- c. Supported the External Auditor's Report to Those Charged with Governance 2013/14 and forwarded it to Council for endorsement.

13. Treasury Management Outturn Position 2013/14

The Service Manager - Finance and Commercial presented the Treasury Management Outturn Position 2013/14 report that, in line with the Local Government Act 2003 and the CIPFA Code of Practice, provided a summary of the transactions undertaken by the Council as part of the Treasury Management function. The report reflected how the Council had invested its money during 2013/14, the rate of return achieved and the Counterparties that had been used. One of the key messages in the report could be found in the table at point 4.9 which showed that the authority did not have any borrowing and did not plan to borrow in the near future. The Service Manager expressed an intention to remain vigilant on Treasury Management issues and detect any problems early.

In response to a question about interest rates, it was confirmed that the Authority did not pay tax on investments. The Executive Manager – Finance and Commercial acknowledged that there had been small returns on the level of investments and stated that this reflected the reality of the market the Authority was in. In response to a question, the Executive Manager Finance and Commercial stated that the issue was not as straightforward as looking at the highest rates of interest. Discussion was had over long term investments which prompted the question whether the Authority had a maximum allowed period of investment. The Service Manager - Finance and Commercial stated that the length of investments was constrained by the Treasury Management Strategy. In addition, long term cash flow had to be borne in mind as the Authority needed to make sure it had the cash for projects such as the Leisure Centre reconstruction.

The Executive Manager – Finance and Commercial added that the Authority was looking at longer term hedging and the Local Authority Property Fund was one example. The Authority had on one occasion lent to a Local Authority in the North East of England.

A question was asked regarding the deposits for Section 106 agreements and whether they were included in the table in the Treasury Management report.

The Executive Manager – Finance and Commercial stated that the deposits were included in the balances where there was interest payable and that he would consider whether to include a separate table for Section 106 agreements in the report.

The Chairman asked about information on the Authority's alternative investments such as The Point and how the Group could find out if this had been a good investment. Other Members of the Group concurred that they would be interested in being provided with information on the Authority's alternative investments and asked what those investments were other than The Point. The Executive Manager – Finance and Commercial stated that this question was raised previously and he had double checked the answer which was that alternative investments such as The Point were not Treasury Management Investments and therefore should not be included in this report, but should be considered as part of the Revenue Account.

Councillor Dickinson reiterated the clear distinction between property purchased as an investment and property which was part of the capital programme. She stated that The Point was not a community facility however, she accepted that The Point was not a Treasury Management investment.

The Chairman agreed to have conversations with the Executive Manager on this issue.

Action Alternative investments such as The Point to be included in a future Revenue and Capital Monitoring Report

In response to a question from the Chairman, Mr Bellamy stated that alternative investments were covered as part of the Audit of the accounts but were not looked at specifically. Mr Walton stated that KPMG write to the banks independently to confirm what balances the Authority held.

The question was asked how much cash was kept as working capital and the Executive Manager highlighted the table at point 4.17 of the report and stated that all the items listed as 'Call' were cash in hand.

In response to a further question regarding page 36 of the Statement of Accounts, The Executive Manager confirmed that Investment Properties would include all the rental properties the Council had.

It was AGREED that the report be noted.

14. Revenue and Capital Budget Monitoring 2014/15

The Group considered the report of the Executive Manager - Finance and Commercial that gave details and explanations of significant variances against the profiled budget to 30 June 2014. One of the key issues identified in the report was the underspend. It was also pointed out that the Community Support Scheme was going up by £25,000 which would be funded from the New Homes Bonus.

In response to a question regarding the loan to Streetwise Environmental Ltd, the Group were informed that the period of repayment was five years.

In reply to a question on the topic of communities on page 54 of the report, it was confirmed that this funding came from the West Bridgford Special Expense allowance. A follow up question was asked regarding whether Alford Road was covered by the West Bridgford Special Expense Allowance and the Executive Manager - Finance and Commercial stated he would check this.

In answer to a question it was confirmed that at point 4.7 in the report entitled Neighbourhoods, new schemes meant Social Housing Schemes.

15. **Annual Report 2013/14**

The Chairman presented the Annual Report that provided a review of the work undertaken by the Corporate Governance Group in 2013/14. The Group had considered the following topics during the year;

- 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

It was AGREED that the report be approved and referred to Council for consideration.

16. **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.

It was agreed that the Certification of Grants and Returns – Annual report 2013/14 be moved to the January 2015 meeting.

The Chairman highly recommended the presentation by Arlingclose to all Councillors and expressed a wish for this to be repeated in 2015 under the auspices of the Member Development Group. Councillor Khan stated that this was indeed an excellent presentation but asked for more practical examples to be given in addition to the theoretical information. The Executive Manager agreed to take this forward.

The Group AGREED the Work Programme as set out below:

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

The meeting closed at 8.30 pm.

Action Sheet

Corporate Governance Group - Thursday 4 September 2014

Minute Number	Actions	Officer Responsible
10 Notes of the Previous Meeting	None	
11 Internal Audit Progress Report – September 2014/15	None	
12 Approval of the Statement of Accounts 2013/14 and External Auditors Report To Those Charged With Governance 2013/14	None	
13 Treasury Management Outturn Position 2013/14	Alternative investments such as The Point to be included in a future Revenue and Capital Monitoring Report	Executive Manager - Finance and Commercial
14 Revenue and Capital Budget Monitoring 2014/15	None	
15 Annual Report 2013/14	None	
16 Work Programme	None	

Responses

Minute Number	Actions	Officer Responsible	Response
13 Treasury Management Outturn Position 2013/14	Alternative investments such as The Point to be included in a future Revenue and Capital Monitoring Report	Executive Manager - Finance and Commercial	Information will be included in future reports