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

Our reference:
Your reference:
Date: 21 January 2015

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Thursday 29 January 2015 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 13 November 2014 (pages 1 - 11).

4. Certification of Grants and Returns 2013/14

   The report of the Executive Manager - Finance and Commercial is attached (pages 12 - 16).

5. Internal Audit Progress Report

   The report of the Executive Manager - Finance and Commercial is attached (pages 17- 24).

6. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015/16

   The report of the Executive Manager - Finance and Commercial is attached (pages 25- 45).

7. Revenue and Capital Budget Monitoring 2014/15 – Quarter 3 Update

   The report of the Executive Manager - Finance and Commercial is attached (pages 46 - 55).

8. Work Programme

The report of the Executive Manager - Operations and Corporate Governance is attached (pages 56 - 57).

Membership

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

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.

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 13 NOVEMBER 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, L B Cooper, A M Dickinson, K A Khan, I I Korn, J E Thurman and H Tipton

ALSO IN ATTENDANCE:

M Riley	Baker Tilly

OFFICERS PRESENT:

A Goodman	Member Support Officer
P Steed	Executive Manager - Finance and Commercial
E Shaw	Emergency Planning Officer
D Swaine	Executive Manager – Operations and Corporate Governance
J Wilkinson	Health and Safety Advisor

APOLOGIES FOR ABSENCE:
There were no apologies for absence.

17. **Declarations of Interest**

There were none declared.

18. **Notes of the Previous Meeting**

The notes of the meeting held on Thursday 4 September 2014 were accepted as a true record.

The Executive Manager - Finance and Commercial confirmed that the cost of building the new pavilion at Alford Road was funded by the West Bridgford Special Expense.

19. **Internal Audit Progress Report November 2014/15**

Mr Riley, a representative from Baker Tilly, the Council's internal auditors, informed Members that in line with the audit plan, one report had been finalised since the last meeting of the Group, for the area of Corporate Governance. He reported that the assurance level for the audit was green, the highest achievable and that there were only two medium risk recommendations. There were currently three audits at the work in progress or draft stage for the areas of Development Control – pre planning applications, Mobile Homes Act Licenses and Risk Management, which would be presented to the next meeting of the Group in January 2015.

In response to questions, Mr Riley informed the Group that the focus of the of the Partnerships audit this year was car parking arrangements and that all areas were reviewed on a rolling basis. The process for evaluating customer satisfaction levels at the Leisure Centres had been audited and the results were reported to the Performance Management Board as part of Parkwood's Strategic Objectives.

Following a discussion, the Executive Manager - Finance and Commercial explained that the planned future audit of Joint Co-operative Agreement would cover the garage and fleet arrangements. The audit of Building Control was scheduled for next year and that a suitable timeframe for an additional audit of Streetwise Environmental Limited was yet to be agreed. He confirmed that Payroll was a separate audit and was carried out at the same time as Gedling Borough Council's. Mr Riley agreed to include descriptions of planned audits in future reports, for clarity.

Action **the Executive Manager - Finance and Commercial to arrange for descriptions of planned audits to be included in future reports**

It was AGREED that the Internal Audit Progress Report November 2014/15 be noted.

20. **Health and Safety Interim Report – April to September 2014**

Members considered the Health and Safety interim Report that set out the Council's occupational health and safety performance for the period April 2014 to September 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. Furthermore, the report provided an indication of the effectiveness and success of the health and safety control measures the Council had in place, evidence of training delivered, progress towards meeting health and safety aims and objectives, and the number of accidents recorded.

The Chairman informed Members that the accident statistics for the leisure centres were currently being scrutinised by both the Corporate Governance Group and the Performance Management Board as part of their work to oversee the delivery of leisure contracts. Following discussions with Councillor Wheeler, it had been agreed that these would now be scrutinised by the Performance Management Board as part of the individual providers' annual reports. The accident statistics would however still be included for information within the Health and Safety report, as part of the Group's governance role.

The Executive Manager - – Operations and Corporate Governance informed Members that since the last report to the Group the Streetwise section had become a social enterprise business. As a result the performance information for Streetwise Environmental Limited was shown separately from the Council's figures, enabling Members to have an overview of the health and safety performance in a similar way to that of the Leisure Centres. The Council's Health and Safety Advisor would continue to oversee the health and safety function at Streetwise environmental Limited. He explained that initially, the new company would be scrutinised by the Partnership Delivery Group, before being transferred to the Performance Management Board for ongoing monitoring. If Members of the Group had any underlying issues, these could be addressed by making a recommendation to one of the other scrutiny groups.

The Health and Safety training needs of the Council's employees were identified in a number of ways including; Personal Development Reviews (PDR's), regular one to ones, team meetings and through the Executive Management Team. It was the role of the Health and Safety Advisor to ensure that training was consistent with the Council's duties and legal responsibilities. All health and safety training needs that had been identified in PDR's for this year had been delivered or were programmed in to be completed by the end year. In addition to the training programme, significant practical on the job training was provided in all Service Areas and in particular at the higher risk Depot site.

The Health and Safety Advisor explained that the Council had three health and safety groups in place, the Executive Health and Safety Group, the Employee Health and Safety Group and the Legionella, Asbestos and Tree Management Group. However since the recent changes to Streetwise and Garage Services it was no longer felt that a formal group was required at the Depot as health and safety was part of the normal routine and was covered at the monthly team meetings.

The report stated that in line with its health and safety duties and responsibilities, the Council had a programme of policy review and implementation to support effective health and safety management. In accordance with the objectives agreed by the Group in June 2014, risk based audits of Display Screen Equipment, Control of Substances Hazardous to Health and Manual Handling would be completed by January 2015. Reviews of the Bomb Threat Policy and the Hepatitis Policy had been undertaken, work on the Accident Reporting Policy was due to commence in November 2014 and a Health and Safety Manual had been produced for Streetwise Environmental Limited.

The Health and Safety Advisor reported that the number of accidents to employees was currently nearly half the figure for the same period in the previous two years. Consequently the number of days absent from work as a result of an accident was exceptionally low for the six month period. Although this was extremely encouraging it was recognised that the figures could significantly increase over the next few months as a result of manual handling injuries and slips and trips in extreme weather conditions. As requested by Members, details of establishment figures had been added to the report so that this could be taken into consideration when comparing accident rates. During the last six months there were no accidents reported to the Health and Safety Executive, as required by the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) legislation.

In respect of the accident figures for the leisure centres, there had been 227 accidents to members of the public in the six month period compared to 254 for the same period in 2013. Members were reminded that these facilities were privately managed and as such, responsibility for health and safety management lay with the companies delivering the facilities.

The Group questioned the accuracy of the low figures for accidents at East Leake Leisure Centre and whether they were recorded differently to the other leisure centres. The Health and Safety Advisor informed Members that traditionally East Leake Leisure Centre had lower figures for example the pool was not used for recreational swimming. Members felt that staff should be reminded of the importance of reporting accidents.

Action **the Executive Manager – Operations and Corporate Governance to issue a reminder to staff to complete accident forms**

the Executive Manager - Finance and Commercial to raise the issue of accident reporting with Carillion and Parkwood at the Strategic Board

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

21. **Risk Management Review Update**

The Executive Manager – Operations and Corporate Governance informed Members that the Council's Risk Management Strategy had been refreshed in line with the two recommendations contained within the 2013/14 internal audit. The revised version had been considered in November 2014 by the Executive Management Team, in its capacity as the Councils Corporate Risk Management Group. The Strategy set out the process for managing risk and stated that the Corporate Governance Group be provided with updates on risk management arrangements as it was their responsibility is "to oversee and scrutinise the effective management of risk by officers".

Throughout the year the Council's Corporate Risk Management Group met on three occasions in order to oversee the management of risk across the organisation and review, where necessary, operational and strategic risks. These meetings ensured consideration was given to reviewing the risk register, amending or updating existing risks and ratings, verifying control measures and, where necessary identifying new risks. The process continued on from previous work to remove unnecessary risks that were low scoring; those with the lowest likelihood or impact and / or risks that had effective mitigation and were under control. Additionally a number of new risks had been identified that needed to be added to the register taking into account the changing nature of the Council's business.

As a consequence of this process the number of corporate risks had been increased from 19 to 27 and the number of operational risks from 21 to 25. Although the overall number of risks had increased from 40 in February 2014 to 52, this was still lower than the 73 risks on the registers before the 2013 review. The results reflected the changing pressures facing local government and the proactive work of managers to identify risks as they emerge.

Following a discussion, the Group felt that when considering risks, it would be beneficial for future reports to highlight the top items in respect of the likelihood and/or impact.

Action **the Executive Manager – Operations and Corporate Governance to highlight the top ten risks, in future reports**

In response to questions, the Executive Manager – Operations and Corporate Governance explained that the score for risk CRR_CG03 insufficient staff capacity skills and knowledge had increased as a result of the most recent review of the Strategy. The score for risk CRR_CG04 had increased to 4 as a in response to the latest staff survey results being less favourable than in previous years. The score for CRR_TR06 was high due to the scale of the project for the Arena and new Civic Offices.

The Emergency Planning Officer gave an update to Members on the work undertaken in respect of Emergency Planning, since the last report to the Group. He informed the Group that although the risk of people contracting Ebola in the UK remained low, all Local Resilience Forums (LRFs) across the country had been directed by Government to implement a strategic-level tabletop exercise to test local response arrangements. Therefore an exercise was held on 24 October at Sherwood Lodge and involved significant representation from health-related organisations. In the unlikely event that a confirmed case of Ebola was to occur in Nottinghamshire, the Director of Public Health would work with partner organisations to manage the situation and ensure measures were in place to prevent spread of the disease.

As part of the Local Resilience Forum work-plan, the Council was working with the Environment Agency to develop a local flood response plan that provided specific information about communities that were at significant risk of flooding within the borough. Work had been undertaken on the development of guidance to encourage parish and town councils to consider a variety of community resilience schemes. These included acquiring a resilience store containing flood protection equipment, developing a community emergency plan and joining the Environment Agency's flood warden scheme. Officers were writing to all parish councils to encourage them to consider adopting some of the schemes.

In response to questions the Emergency Planning Officer confirmed that in the absence of a parish council in West Bridgford officers would contact the relevant Ward Members. Members requested that the Emergency Planning Officer address the West Bridgford Local Area Forum and include them in all correspondence to parishes.

The Local Resilience Forum were also organising a tabletop exercise to test the multi-agency response to a major structural collapse at a sports ground in Nottinghamshire.

It was AGREED that the Corporate Governance Group

a) note the contents of the report,

b) endorse the actions taken to review the risk management arrangements and implement the 2013/14 internal audit recommendations and

c) request that future risk management reports be presented to the Group on a six monthly basis, with the next report be considered in March 2015

22. **Revenue and Capital Budget Monitoring 2014/15 – Quarter 2 Update**

The Group considered the report of the Executive Manager - Finance and Commercial that gave details and explanations of significant variances against the profiled budget to 30 September 2014.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £900,000, with a projected favourable variance of £1,111,000 for the year. Officers informed Members that the underspend reflected a number of positive variances which, included additional income from a number of major planning applications and the Garden Waste Scheme. Other contributing factors were the impact of charitable rates relief on the leisure centres, the lack of current calls made on the contingency budget and the receipt of a number of additional grants.

As requested at the last meeting, the Executive Manager - Finance and Commercial provided an update on The Point investment. He explained that despite the challenging economic environment The Point had retained its occupancy levels at 80%, with a high calibre of tenants. As a result it was not only making a positive contribution to the Authority's finances but was an asset that had, since acquisition, also shown a significant increase in value by just over 20% to £2.4m. At present it was estimated that the rate of return for 2014/15 would be 6.1% compared to the 7.1% rate that was projected in the report that was considered by in December 2012. In 2015/16 it was currently projected that the rate of return would be approximately 8%, compared to a current average rate of return on investments of just under 0.8%.

The Group requested a breakdown of all the Council's alternative investments, in the same way that they received detailed information on the treasury management transactions. Members felt that it would be beneficial to have a breakdown of the property that the Council owned for speculative purposes the return that was generated.

Action **the Executive Manager - Finance and Commercial to provide further information on the Council's alternative investments to the March meeting of the Group**

In respect of the Capital budget monitoring, the report indicated a net underspend of £202,000 to the end of September 2014, with a projected favourable variance of £6,337,000 for the year. The original Capital Programme of £7.3 million had been supplemented by £1.2 million brought forward from the financial year 2013/14. Other adjustments, included additional sums allocated for Funding Circle investments and loans to Streetwise, resulting in a gross programme of over £10 million. However it was now apparent that some of the schemes would not be undertaken in full during 2014/15, therefore the projected capital spend for 2014/15 would be just under £4 million. The main key variations included slippage with regards to Bridgford Hall and the Cotgrave Masterplan; and uncertainty with regards to the loans to

Nottinghamshire County Cricket Club and the payment in respect of the A453 project.

In response to a question, the Executive Manager - Finance and Commercial confirmed that the budget had been increased to account the loans for the Funding Circle and the purchase of vehicles for Streetwise Environmental Limited.

It was AGREED that the Corporate Governance Group note:

a) the projected revenue and capital underspend positions for the year of £1,111k and £6,337k respectively; and

b) the update on financial performance with regards to The Point

23. **Treasury Management Update – Mid Year Report 2014/15**

The Executive Manager - Finance and Commercial presented the Treasury Management Mid-Year Update report that, in line with the CIPFA Code of Practice, provided a summary of the transactions undertaken by the Council as part of the Treasury Management function. The report reflected how the Council had invested its money during the period 1 April to 30 September 2014, the rate of return achieved and the Counterparties that had been used.

He informed the Group that in respect the economic forecast, the outlook for growth in the global economy had deteriorated especially in the Eurozone. This had resulted in, the Council's Treasury Management advisors Arlingclose Limited, reducing the recommended durations for unsecured investments with banks and building societies. Consequently the duration of new investments had been reduced from 13 months to 6 months and those which were 6 months to 100 days.

Currently interest earned up to 30 September 2014 totalled £144,500 and the Council was achieving an average interest rate of 0.71% against a target of 0.60%. The budget for investment income for the financial year 2014/15 was £260,000 and although receipts were exceeding budget, it was anticipated that they would be on target by the end of year. The Council had also invested £1 million with the CCLA Property Fund and the first dividend from this investment had shown returns of 5.93%.

From January 2015 the UK would be implementing a bail-in system for banks to assist with recovery process and as a result, credit rating agencies had stated that this could affect the ratings of major UK banks. At present many had standalone ratings in the 'BBB' category, with uplifts for potential government support taking them into the 'A' category. There was therefore the risk that some credit ratings would fall below 'A-' reducing the Council's ability to diversify its investment portfolio. Following advice from Arlingclose Limited and in line with the Treasury Management Strategy, the counterparty arrangements had been amended by the Section 151 Officer so that the Council would still be able to invest with such banks if the credit ratings were amended:

Following a question, The Executive Manager - Finance and Commercial agreed to investigate whether the loss of investments due to bank failures was included in the Council's Risk Register.

Action **the Executive Manager - Finance and Commercial to investigate whether the loss of investments was included in the Council's Risk Register.**

It was AGREED that Corporate Governance Group

a) note the Treasury Management update position at 30 September 2014; and

b) support the amendment to the counterparty limits at paragraph 4.14 of the report

24. **Annual Audit Letter 2013/14**

The Group received the Annual Audit letter from the Council's External Auditors KPMG that summarised the progress of the audit for the financial year 2013/14. The letter reiterated the key conclusions from the 2013/14 Accounts and the Report to those Charged with Governance, both of which were considered by the Corporate Governance Group on 4 September 2014. The letter also identified that KPMG's fees had increased by £900 due to additional work on Business Rates as a result of the NNDR3 return no longer requiring audit certification. However, the increase had been more than offset by the removal of the charge relating to the certification itself which was £1,600 in 2013.

The Executive Manager Finance and Commercial informed the Group that a copy of the Annual Audit Letter 2013/14 would be sent to all Councillors.

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

25. **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.

As previously agreed under Item 6 of the Agenda, the next Risk Management Review Update would now be presented to the meeting of the Group in March 2015.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
29 January 2015	• Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2013/14 • Work Programme
26 March 2015	• External Audit Plan 2014/15 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • Risk Management Review Update • Revenue & Capital Budget Monitoring • Work Programme

The meeting closed at 8.55 pm.

Action Sheet
CORPORATE GOVERNANCE GROUP - THURSDAY 13 NOVEMBER 2014

Minute Number	Actions	Officer Responsible
18 Notes of the Previous Meeting	None	
19 Internal Audit Progress Report November 2014/15	Descriptions of planned audits to be included in future reports	Executive Manager - Finance and Commercial
20 Health and Safety Interim Report – April to September 2014	a) issue a reminder to staff to complete accident forms	The Executive Manager – Operations and Corporate Governance
	b) raise the issue of accident reporting with Carillion and Parkwood at the Strategic Board	The Executive Manager - Finance and Commercial
21 Risk Management Review Update	Highlight the top ten risks, in future reports	The Executive Manager – Operations and Corporate Governance
22 Revenue and Capital Budget Monitoring 2014/15 – Quarter 2 Update	Provide further information on the Council's alternative investments to the March meeting of the Group	The Executive Manager - Finance and Commercial
23 Treasury Management Update – Mid Year Report 2014/15	Investigate whether the loss of investments was included in the Council's Risk Register.	The Executive Manager - Finance and Commercial
24 Annual Audit Letter 2013/14	None	
25 Work Programme	None	

Responses

Minute Number	Actions	Officer Responsible	Response
19 Internal Audit Progress Report November 2014/15	Descriptions of planned audits to be included in future reports	Executive Manager - Finance and Commercial	Have been included
20 Health and Safety Interim Report – April to September 2014	a) issue a reminder to staff to complete accident forms	The Executive Manager – Operations and Corporate Governance	The Council's policy is currently being updated and a reminder will be in March 2015 sent as part of this process
	b) raise the issue of accident reporting with Carillion and Parkwood at the Strategic Board	The Executive Manager - Finance and Commercial	Ongoing – The Strategic Board has not met since the last Corporate Governance Group meeting
21 Risk Management Review Update	Highlight the top ten risks, in future reports	The Executive Manager – Operations and Corporate Governance	Future reports will reflect this
22 Revenue and Capital Budget Monitoring 2014/15 – Quarter 2 Update	Provide further information on the Council's alternative investments to the March meeting of the Group	The Executive Manager - Finance and Commercial	Will be included in the reports
23 Treasury Management Update – Mid Year Report 2014/15	Investigate whether the loss of investments was included in the Council's Risk Register.	The Executive Manager - Finance and Commercial	Will be added to the register

Rushcliffe Borough Council	**Corporate Governance Group** **29 January 2015** **Certification of Grants and Returns 2013/14**	**4**

Report of the Executive Manager (Finance and Commercial)

1. Summary

1.1 The report from KPMG summarises the work undertaken during 2014/15 in relation to grant claims and returns for the financial year 2013/14.

1.2 It should be noted that audit certification work was required for the Housing Benefit Subsidy claim. Due to the change in the way Business Rates is now accounted for, the Department for Communities and Local Government (DCLG) no longer require the NNDR3 to be audited; hence this is not included in the report.

2. Recommendation

2.1 It is RECOMMENDED that the Corporate Governance Group accept the report.

3. Reasons for Recommendation

3.1 To conform with best audit practice, good governance and the requirements of the Council's external auditors.

4. Supporting Information

4.1 The attached report summarises the results of the audit of the Housing Benefit Subsidy Claim 2013/14 and the resultant costs of the audit. Only one error was identified of £392 in the context of an overall spend of £17.7m. Consequently the likely fee of £9,197 (subject to Audit Commission final confirmation) is below the budget of £9,680. There are no recommendations regarding improving processes.

5. Other Options Considered

5.1 Not Applicable

6. Risk and Uncertainties

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

5. Implications

5.1 Finance

Financial implications are covered in paragraph 4.1.

5.2 Legal

None

5.3 Corporate Priorities

Not applicable

5.4 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:	None
List of appendices (if any):	See attached report

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Peter Steed
Executive Manager Finance and Commercial
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Our ref nb/dc

14 January 2015

Dear Peter,

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14 at Rushcliffe Borough Council.

In 2013/14 we carried out certification work on the following claim:

Claim/return	Certified value (£)
BEN01 – Housing Benefit subsidy claim	17,720,825

Matters arising

Our certification work on the BEN01 claim identified a low number of issues and despite a minor amendment to the final claim, the claim did not need to be qualified and we did not issue a qualification letter to the DWP.

We identified a single error during our certification over the BEN01 claim. This was highlighted during our testing of an uncashed payment of £392 which we found related to an incorrect prior year overpayment. We were able to satisfy ourselves that this was an isolated incident through further testing and subsequently amended the claim. The required amendment had no impact on the amount of subsidy claimed by the council.

We have made no recommendations to the Authority to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £9,680, which is based on the actual fee in 2011/12. We currently estimate the final fee will be £9,197 following the submission of a fee variation to the Audit Commission of -£483. This reflects the lower number of issues arising during the audit than in 2011/12. The fee for certifying the same claim in 2012/13 was £9,844.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Estimated Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	9,680	9,197	9,844

The final fee of £9,197 is estimated as we are currently awaiting the required confirmation from the Audit Commission for the proposed lower fee.

Yours sincerely

Neil Bellamy
Director

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.
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, who is the engagement leader to the Authority (telephone 0116 256 6082, e-mail neil.bellamy@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail 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 444 8330.

Rushcliffe Borough Council	**Corporate Governance Group** **29 January 2015** **Internal Audit Progress Report**	**5**

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 third report for the financial year 2014/15 showing the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period. Only 3 medium level actions have been recommended for the 8 reports which have all received a 'substantial assurance' rating. Further detail is contained at Appendix A.

2. Recommendation

2.1 It is RECOMMENDED that the Corporate Governance Group notes Internal Audit's third 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 8 (3 previously) audit assignments with 3 medium actions. All 8 assignments have been given substantial assurance. There are a further 5 assignments either at 'draft' stage or the fieldwork has been completed. The remaining 3 audits are due to be completed by February 2015.

5. Other Options Considered

5.1 Not Applicable

6. Risk and Uncertainties

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

5. Implications

5.1 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.

5.2 Legal

None

5.3 Corporate Priorities

Not applicable

5.4 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: 29 January 2015

Introduction

The internal audit plan for 2014/15 was approved by the Corporate Governance Group (CGG) on 23 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**
Development Control – Pre-planning applications (3.14/15)	***FINAL***	***GREEN***	***0***	***1***	***0***
Mobile Homes Act Licences (5.14/15)	***FINAL***	***GREEN***	***0***	***0***	***1***
Risk Management (6.14/15)	***FINAL***	***GREEN***	***0***	***0***	***5***
Main Accounting and Budgetary Control (8.14/15)	***FINAL***	***GREEN***	***0***	***0***	***1***
Housing Benefits (10.14/15)	***FINAL***	***GREEN***	***0***	***0***	***2***
Absence Management (1.14/15)	FINAL	***GREEN***	0	0	3
Transformation Projects (2.14/15)	FINAL	***GREEN***	0	0	0
Corporate Governance (4.14/15)	FINAL	***GREEN***	0	2	3

Assignment *(Reports considered today are shown in bold italics)*	**Status**	**Opinion**	**Actions Agreed**		
			High	**Medium**	**Low**
Partnerships – Nottinghamshire Parking Partnership (9.14/15)	Draft report issued				
Council Tax (11.14/15)	Draft report issued				
NNDR	Fieldwork Complete				
Ordering and Creditors	Fieldwork Complete				
Follow Up	Fieldwork Complete				
Joint Co-operation Agreement for the Garages and Fleet	Planned 02/02/15				
Payroll	Planned 02/02/15				
Treasury Management, 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:

At the request of management we have undertaken an advisory review on the taxi licensing process. This report is currently in draft.

Action Plans for Key Recommendations

(Medium or High recommendations only)

Development Control – Pre-planning applications (3.14/15)

Ref	Recommendation	Categorisation	Accepted	Management Comment	Implementation Date	Manager Responsible
1	On a monthly basis a reconciliation should be undertaken between the Planning and Finance system. Any discrepancies identified should be investigated and rectified accordingly. Reconciliations performed should be signed and dated by the preparer and independently reviewed.	Medium	Y	We agree with the principle of reconciling monthly income. That said there are compensating controls in place in terms of regular budget monitoring and reporting of this at Performance Clinics.	December 2014	Service Manager - Communities

Mobile Homes Act Licences (5.14/15)

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

Risk Management (6.14/15)

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

Main Accounting and Budgetary Control (8.14/15)

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

Housing Benefits (10.14/15)

There were no high or medium risk 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** **29 January 2015** **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015/16**	**6**

Report of the Executive Manager – Finance and Commercial

1. **Summary**

.1. The purpose of this report is to provide members with details of the Treasury Management Strategy for 2015/16 to 2019/20.

.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.

.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the treasury management strategy

2. **Recommendations**

2.1. It is recommended that the Corporate Governance Group scrutinise the following for approval by Full Council:

- The Prudential Indicators and Limits for 2015/16 to 2019/20 contained within Appendix A of the report.
- The Minimum Revenue Provision (MRP) Statement contained within Appendix A (para 9) which sets out the Council's policy on MRP.
- The Treasury Management Strategy 2015/16 to 2019/20 and the Treasury Indicators contained within Appendix A (paragraph 19 onwards).

3. Reasons for Recommendation

3.1 To comply with Council Financial Regulations, and the Local Government Act 2003 which requires the Council to adhere to the CIPFA Prudential Code for Capital Finance in Local Authorities.

4. Supporting Information

Capital Prudential Indicators

4.1 Appendix A of this report details the Capital prudential Indicators for 2015/16 to 2019/20.

4.2 The Capital prudential Indicators highlight the following:

- Projected capital expenditure plans and funding;

- The Council's Borrowing Need (the Capital Financing Requirement CFR);
- The Minimum Revenue Provision (MRP) Policy Statement , i.e. if the Council was to borrow how much it would charge the revenue account for the cost of borrowing;
- The on-going impact of the capital programme on the investment balance ;
- The estimates, limits and prudence of future debt levels; and
- The affordability impact of the capital programme.

Treasury Management Strategy

4.3 Appendix A (paragraph 19) details the Treasury Management Strategy which covers:

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

Conclusion

4.4 The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital and Treasury plans. The documents comply with best professional practice and as such are recommended for approval by Full Council.

5 Other Options Considered

5.1 There are no other options

6 Risk and Uncertainties

6.1 The report covers both counterparty (particularly issues arising from 'bail-in') and interest rate risk.

7 Implications

7.1 Finance

Financial implications are covered in the body of the report.

7.2 Legal

None.

7.3 Corporate Priorities

Efficient treasury management enables the Council to achieve its Corporate Priorities.

7.4 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	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) CIPFA Treasury and Capital Management Panel Bulletin
List of Appendices (if any):	Appendix A –Treasury Management Strategy 2015/16 to 2019/20

Appendix A

TREASURY MANAGEMENT STRATEGY 2015/16 – 2019/20

The Capital Prudential Indicators 2015/16 to 2019/2020

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.

2. The CIPFA Prudential Code establishes a framework designed to support local strategic planning, local asset management planning and option appraisal. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

3. The overall prudential framework also has an impact on the Council's treasury management activities as it directly impacts borrowing and investment activity. The Treasury Management Strategy for 2015/16 to 2019/20 is included from paragraph 19.

The Capital Prudential Indicators

4. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:

   - Corporate objectives (e.g. strategic planning);
   - Stewardship of assets (e.g. asset management planning);
   - Value for money (e.g. option appraisal);
   - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
   - Affordability (e.g. implications for council tax and rents); and
   - Practicability (e.g. the achievability of the Corporate Plan)

Capital Expenditure Estimates

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

Table1: Projected Capital Expenditure

£'000	2014/15 Estimate	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital Expenditure	7,383	7,625	9,047	9,400	4,442	1,390	1,320
Financed by:							
Capital Receipts	3,891	3,414	2,061	2,688	3,900	1,048	978
Capital Grants/ Contributions	383	1,690	879	787	292	292	292
Reserves	3,109	2,521	2,682	50	50	50	50
Net Financing Need for the Year (Internal Borrowing)	**0**	**0**	**3,425**	**5,875**	**200**	**0**	**0**
Total	**7,383**	**7,625**	**9,047**	**9,400**	**4,442**	**1,390**	**1,320**

6. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised in the medium term and the sustainability of New Homes Bonus in its current guise.

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

7. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure which has not yet been paid for by either revenue or capital resources. The capital expenditure above which has not been financed will increase the CFR from a negative to a positive position (i.e. the use of internal borrowing). Note MRP in later years is as a result of internal borrowing in relation to the Leisure Strategy.

Table 2: CFR Projections

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital Financing Requirement						
Opening Balance	(505)	(505)	2,920	8,795	8,995	7,995
Movement in CFR	0	3,425	5,875	200	(1,000)	(1,000)
Closing Balance	(505)	2,920	8,795	8,995	7,995	6,995
Movement in CFR represented by						
Net financing need for the year	0	3,425	5,875	200	0	0
Less MRP/VRP and other financing movements	0	0	0	0	(1,000)	(1,000)
Movement in CFR	**0**	**3,425**	**5,875**	**200**	**(1,000)**	**(1,000)**

8. CLG Regulations have been issued which require the Corporate Governance Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided within the Treasury Management Strategy Statement (paragraphs 30-33). A variety of options are provided to Councils, so long as there is prudent provision. The following MRP Statement is recommended (taking advice from our Treasury Advisors).

9. Rushcliffe Borough Council has fully financed its capital expenditure incurred before 1 April 2014. In the event of an MRP charge being required the policy for approval is:

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

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

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

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

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

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

Table 3: Expected Investment Position

Year End Resources £'000	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Expected year-end balances	31,500	24,500	18,500	19,500	21,500	25,000
Expected Average Investments over the year	38,000	35,000	28,500	26,000	27,500	32,000

Prudential Indicators for External Debt

Authorised Limit for External Debt

11. The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment. The limit has been increased reflecting pressures in relation to the Leisure Strategy and potential use of borrowing with regards to the purchase of property as investment opportunities.

Table 4: The Authorised Limit

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Authorised Limit	9,000	22,000	30,000	30,000	30,000	30,000

Operational Boundary for External Debt

12. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The changes correlate with the Authorised Limit and the reasons stated at paragraph 11.

Table 5: The Operational Boundary

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Operational Boundary	4,000	17,000	25,000	25,000	25,000	25,000

Prudential Indicator for Prudence

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

Gross Borrowing and the Capital Financing Requirement

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

Table 6: CFR versus Gross External Debt

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Gross Borrowing at 1 April	0	0	0	0	0	0
Other long term liabilities	0	0	0	0	0	0
Gross Borrowing at 31 March	0	0	0	0	0	0
Capital Financing Requirement						
Total CFR	(505)	2,920	8,795	8,995	7,995	6,995

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

Prudential Indicators for Affordability

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

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

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

Table 7: Ratio of Financing Costs to Net Revenue Stream

	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	-2.66%	-1.42%	-1.00%	1.71%	1.18%	0.44%

Incremental Impact of Capital Investment Decisions

18. This is an indicator of affordability that shows the incremental impact of capital investment decisions on Council Tax. The indicator identifies the revenue costs associated with the capital programme for a particular year. A negative figure is indicative of the assumed benefits from the Leisure Strategy and Accommodation changes.

Table 8: Capital Expenditure – Annual Impact on Council Tax

	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Impact on Council Tax – Band D	1.60	1.74	1.76	(9.75)	(10.03)	(9.87)

Treasury Management Strategy Statement 2015/16 to 2019/20

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

20. The CIPFA Treasury Management Code defines treasury management activities as:

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

Statutory and Professional Requirements

21. The above definition highlights that the treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators (paragraphs 1-18) consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. Furthermore the Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that

the Council's capital investment plans are affordable, prudent and sustainable. The Council has gone beyond this requirement, so that Members are fully informed of the implications on the 5 year Medium Term Financial Strategy of its Capital Programme.

22. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act, included from section 45); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, and accords with the CIPFA Treasury Management Code of Practice 2011 ('the Code').

23. The primary requirements of the Code are as follows:

    1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
    2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
    3. Receipt by the full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid- Year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
    4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
    5. Delegation by the Council of the role of scrutiny of the treasury strategy and policies to a specific named body. For this Council the delegated body is the Corporate Governance Group.

24. The suggested strategy for 2015/16 in respect of the following aspects of the treasury management function is based upon interest rate forecasts provided by the Council's treasury advisor, Arlingclose, combined with our expected cashflow position.

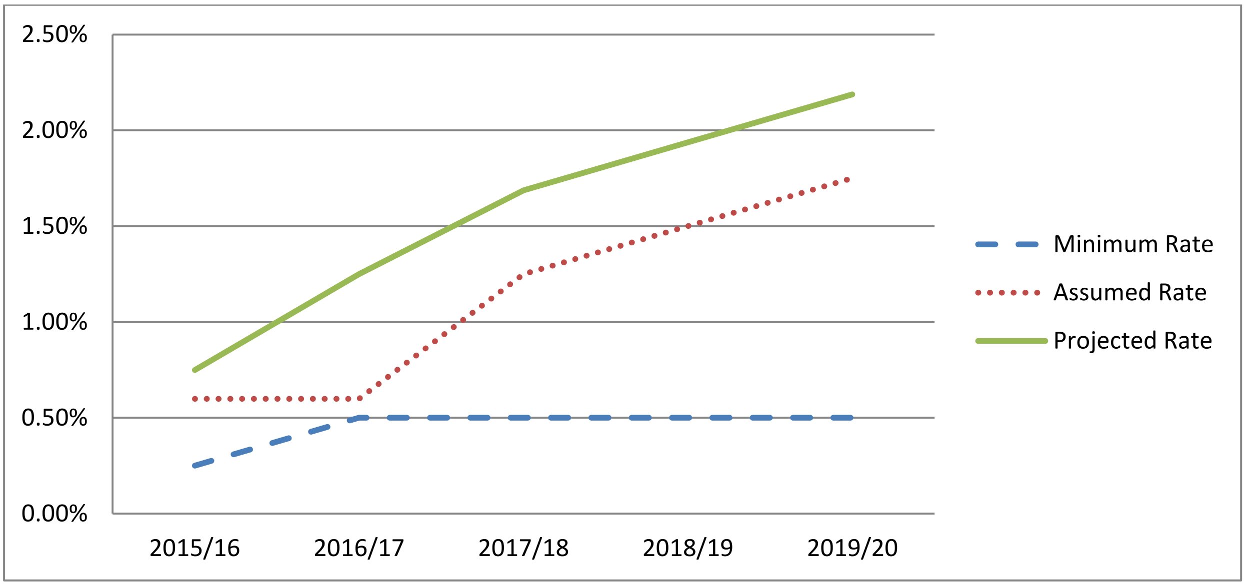
The Current Economic Climate and Prospects for Interest Rates.

25. The Council is facing increasing difficulty in securing higher interest rates on its investments due to the advised duration limits on unsecured investments. Furthermore the deterioration of growth in the Eurozone has affected the interest rate on investments. For example, the advised duration limit for investments with Lloyds Bank has reduced from 12 months to 6 months which has resulted in the interest rate on investments reducing from 0.95% to 0.63%.

26. For any treasury decisions, whether to borrow or invest, the Council must pay due regard to both the economic climate and expectations going forward. The graph below shows that short-term rates are expected to remain low until 2016/17 then steadily rising thereafter. We have assumed rates in between

the minimum and maximum expectation and consider this to be prudent. The Strategy has to be reactive to changing market conditions as such forecasts can quickly change and this could impact on future decision making.

Expected Movement in Interest rates



27. Growth in the UK economy has continued to strengthen but this is not expected to continue at the same rate due to weaknesses in the Eurozone. The Bank Rate is expected to increase in quarter 3 of 2015 but this is not expected to be immediately reflected in interest rates. The table below shows the assumed average interest rates that investments will be made at over the next five years for budget setting purposes.

Table 9: Budgetary Impact of Assumed Interest Rate Going Forward

%	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Average Interest rate	0.60	0.60	1.25	1.50	1.75
Expected interest from investments	136,700	97,900	172,800	232,700	321,200
Other interest	20,000	20,000	20,000	20,000	20,000
Total Interest	**156,700**	**117,900**	**192,800**	**252,700**	**341,200**

28. In the Treasury Management Update Mid-Year report on 13 November 2014 Corporate Governance Group were informed that the UK will be implementing bank bail-in from January 2015 so in the event that a bank suffers a loss, rather than Central Government 'bailing-out' the bank, shareholders, bond holders and unsecured creditors which includes Local Authorities will be 'bailed in' to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in. Appendix A details the bail-in losses that the Council

would incur with different banks and building societies against different percentage losses for a £1m investment.

29. The management of bail-in risk could be aided by more investment diversification with, for example, Building Societies. There are also proposals for EU regulatory reform to Money Market Funds which could result in these funds moving to variable net asset value and losing their credit ratings. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important with these developments.

External Debt and Investment Projections 2015/16 to 2019/20

Debt Projections

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

Table 10: Debt Projections

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt at 1 April	0	0	0	0	0	0
Debt at 31 March	0	0	0	0	0	0
Operational Boundary	4,000	17,000	25,000	25,000	25,000	25,000

31. The capital programme assumes internal borrowing of:

- £3,425,000 in 2015/16;
- £5,875,000 in 2016/17; and
- £200,000 in 2017/18

32. This additional borrowing relates to the development at the Arena site which will result in a reduction in the level of investments which, in turn, will reduce the interest receivable from investments. It should be noted that over the life of the Treasury Management Strategy the Council may invest up to £10m in property investments. If such investments materialise it will be reported in future finance reports.

33. For the Arena development, amounts of £1,000,000 are planned to be set aside in 2018/19 onwards which will be financed by the New Homes Bonus for the repayment of this debt in accordance with the statutory provisions as detailed in the MRP policy set out in section 9.

Investment projections

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

Table 11: Investment Projections

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Investments at 1 April	33,000	31,500	24,500	18,500	19,500	21,500
Expected change in investments	(1,500)	(7,000)	(6,000)	1,000	2,000	3,500
Investments at 31 March	31,500	24,500	18,500	19,500	21,500	25,000

Borrowing Strategy 2015/16 to 2019/20

35. As indicated in paragraph 7 above based on the current funding model the Council would internally borrow a total of £9.5m from 2015/16 to 2017/18 to finance the development at the Arena site and office accommodation. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.

36. By doing this, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

37. The approved sources of long-term and short-term borrowing are:

- Internal borrowing
- Public Works Loan Board (or the body that will replace the PWLB in the future)
- Local authorities
- Commercial banks
- Money markets
- Leasing
- Special purpose companies created to enable local authority bond issues

Treasury Management limits on activity

38. The purpose of these indicators is to contain the activity of the treasury function within certain limits and therefore reduce the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position. As suggested in the CIPFA Treasury Management Code, all investments (whether fixed or variable rate) with a period of less than twelve months to maturity are regarded as variable rather than fixed rate

investments as they are potentially subject to movements in interest rates when they mature. Likewise, any fixed rate borrowing that is due to mature within twelve months is regarded as being at a variable rate as the rate to be paid on any replacement loan could differ from the rate currently being paid.

Upper Limits for Fixed and Variable Rate Exposure

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

Table 12: Interest Rate Exposure

%	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Fixed						
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25	25	25	25	25	25
Upper Limit for Fixed Interest Rate Exposure on Investments up to I year	100	100	100	100	100	100
Variable						
Upper Limit for Variable Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure on Investments	100	100	100	100	100	100

Maturity Structure of Fixed Rate Borrowing

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

Table 13: Maturity structure of Fixed Rate Borrowing

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

As the Council does not have existing fixed rate external borrowing, the upper limits have been set at 100% to allow scope for loans to be taken in the appropriate maturity band.

Upper Limit for Total Principal Sums Invested over 1 year

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

Table 14: Principal Sums Invested over 1 year

£'000	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Upper Limit for Total Principal Sums Invested over 365 days	8,250	6,125	4,625	4,875	5,375	6,250

Credit Risk

42. The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.

43. The Council also considers alternative assessments of credit strength such as information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution
- Sovereign support mechanisms

- Credit default swaps (where quoted)
- Share prices (where available)
- Corporate development, news, articles, market sentiment and momentum
- Subjective overlay

44. The only indicators with prescriptive values are credit ratings. The other indicators of credit worthiness are considered in relative rather than absolute terms.

Investment Strategy 2015/16 to 2019/20

45. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income.

46. The Council will ensure that:

    - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring of their security which is set out in the Specified and Non Specified investments sections below.

    - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for funds may prudently be committed. These procedures will also apply to the Council's prudential indicators covering the maximum principal sums invested.

47. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties, however they should not rely on credit ratings alone and should recognise their limitations. Credit ratings should only be used as a starting point when considering credit risk and organisations should make their investment decisions based on all ratings issued by the main credit rating agencies.

48. Credit rating information is provided by Arlingclose on all active counterparties that comply with the criteria below. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.

49. Should a body be removed from the Council's counterparty list then any extant investment will normally be retained until the earliest date under the agreement upon which it can be reclaimed. During such a period no further investments will be made with the counterparty.

Current investments

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

Specified investments

51. The CLG guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangements,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
  - The UK Government
  - A UK local authority, parish council, or community council, or
  - A body or investment scheme of "high credit quality"

52. Members will recall in the Council's Treasury Management Mid-Year report (13 November 2014) that the impact of bail-In is likely to result in the potential for a large scale downgrading in credit ratings. Consequently the Council now defines "high credit quality" organisations as those having a credit rating of A- and above.

Non-specified investments

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

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

Table 15: Counterparty Details

	Rating body (Fitch or equivalent)	Money Limit (maximum)	Time Limit (up to)	Specified	Non-specified
UK domiciled Banks and Building Societies Unsecured	A- and above BBB+	£5m £5m	2 years 6 Months	Y N	Y Y
UK domiciled Banks and Building Societies Secured	BBB+ to AAA	£5m	6 months to 5 years based on rating	Y	Y
Non-UK domiciled Banks	A and above	£5m	1 year	Y	N
Unrated Building Societies	Not rated	£1m	100 days	Y	N
UK Central Government	Government Secure		50 years	Y	Y
UK Local Authorities	Highly Secure Not Rated	£5m	5 years	Y	Y
UK Registered Providers of Social Housing	A-	£5m	5 years	Y	N
Money Market Funds and other pooled funds	Likely to lose credit ratings (para. 29)	£5m	N/A*	Y	Y
Corporate Bonds and bond funds	A-	£5m	5 Years	Y	Y
Funding Circle	N/A	£0.5m	5 years	N	Y
CCLA Property Fund	N/A	£2.0m	N/A**	N	Y

*Pooled funds do not have a defined maturity date. Monies in Money Market Funds can be withdrawn on the same date, monies in other pooled funds can be withdrawn giving the requisite notice, generally between 1 and 7 days.

**Monies in the CCLA Property Fund can be withdrawn on each monthly redemption date, if required; it is the Council's intention to hold its investment over a reasonable time frame for property investments, which is 5 years.

55. Although the above table details the counterparties that the Council could invest funds with it would not invest funds with counterparties against the advice of Arlingclose even if they met the criteria above.

56. Changes to any of the above can be authorised by the Section 151 Officer or the Deputy Section 151 Officer and thereafter will be reported to the Corporate Governance Group. This is to cover exceptional circumstances so

that instant decisions can be made in an environment which is both fluid and subject to high risk.

Treasury Management Advisors

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

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

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

Member and Officer Training

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

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

Appendix A

Bail in risk

The following tables detail the bail-in losses that the Council would incur for a £1m investment with different banks and building societies against different percentage losses.

Indicative Impact of a Bail-in: Banks (Based on banks' balance sheet data June 2014)

Loss	Barclays £000	Close Brothers £000	Clydesdale £000	Co-op Bank £000	HSBC £000	Lloyds Bank £000	RBS Group £000	Santander UK £000	Standard Chartered £000	Svenska Handlesbaken £000	TSB £000	Virgin Money £000
1%	E	E	E	E	E	E	E	E	E	E	E	E
2%	E	E	E	E	E	E	E	E	E	E	E	E
3%	E	E	E	E	E	E	E	E	E	E	E	E
4%	E	E	E	E	J	E	E	E	E	E	E	E
5%	J	E	E	E	J	E	J	E	E	E	E	E
6%	J	E	E	560	H	J	J	J	J	E	E	E
7%	20	E	E	800	H	J	J	J	J	E	E	E
8%	50	E	E	1,000	H	J	J	J	J	E	E	E
9%	80	H	J	1,000	H	J	J	30	J	E	E	E
10%	110	H	J	1,000	20	J	J	60	J	E	E	1,000
11%	150	40	10	1,000	60	J	70	100	H	E	E	1,000
12%	180	90	110	1,000	110	J	150	140	H	0	E	1,000
13%	210	130	220	1,000	150	J	230	180	H	10	E	1,000
14%	240	180	320	1,000	200	40	320	210	H	20	E	1,000
15%	270	230	420	1,000	240	100	400	250	H	40	E	1,000
16%	300	230	530	1,000	290	150	480	290	0	50	E	1,000
17%	330	230	630	1,000	330	210	570	330	60	60	E	1,000
18%	360	230	740	1,000	380	270	630	360	60	70	E	1,000
19%	390	230	840	1,000	420	320	630	400	60	80	J	1,000
20%	410	230	860	1,000	470	380	630	440	60	90	J	1,000

E – Loss is covered by equity
J – Loss is covered by a bail-in of junior debt
H – Loss is covered by a bail-in of holding company senior debt or conversion of loan from parent

Indicative Impact of a Bail-in: Building Societies based on societies' balance sheet data at Dec 2013 or closest year end

Loss	Nationwide £000	Coventry £000	Leeds £000	Cumberland £000	National Counties £000	Leek United £000	Furness £000	Newbury £000	Hinckley & Rugby £000	Darlington £000	Market Harborough £000	Scottish£000	Melton Mowbray £000	Tipton & Cosley £000	Marsden £000	Harpenden £000	Loughborough £000	Vernon £000	Mansfield £000
1%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
2%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
3%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
4%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
5%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
6%	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
7%	J	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
8%	J	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
9%	J	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
10%	0	E	550	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
11%	30	E	730	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
12%	60	E	920	E	E	E	E	1,000	E	E	E	E	E	E	E	E	E	E	E
13%	90	40	1,000	E	E	E	E	1,000	E	E	E	E	E	E	E	E	E	E	E
14%	120	50	1,000	1,000	E	1,000	E	1,000	E	860	E	E	E	E	E	E	E	640	E
15%	150	70	1,000	1,000	E	1,000	170	1,000	1,000	1,000	E	1,000	E	E	E	1,000	1,000	810	E
16%	170	90	1,000	1,000	E	1,000	260	1,000	1,000	1,000	1,000	1,000	E	E	E	1,000	1,000	980	E
17%	200	110	1,000	1,000	E	1,000	350	1,000	1,000	1,000	1,000	1,000	380	E	E	1,000	1,000	1,000	1,000
18%	230	130	1,000	1,000	E	1,000	440	1,000	1,000	1,000	1,000	1,000	520	300	E	1,000	1,000	1,000	1,000
19%	260	150	1,000	1,000	E	1,000	530	1,000	1,000	1,000	1,000	1,000	650	380	E	1,000	1,000	1,000	1,000
20%	290	160	1,000	1,000	1,000	1,000	620	1,000	1,000	1,000	1,000	1,000	790	470	E	1,000	1,000	1,000	1,000

E – Loss is covered by equity
J – Loss is covered by a bail-in of junior debt
H – Loss is covered by a bail-in of holding company senior debt or conversion of loan from parent

Rushcliffe Borough Council	**Corporate Governance Group** **29 January 2015** **Revenue and Capital Budget Monitoring 2014/15 – Quarter 3 Update**	**7**

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 31 December 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

2.1 It is RECOMMENDED that the Corporate Governance Group note:the projected revenue and capital underspend positions for the year of £1,219k and £6,206k respectively.

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 (as at 31 December 2014) by service area is attached at Appendix A, with detailed variance analysis stated at Appendix B. This shows an underspend against profiled budget to date of £900,000 and a projected underspend for the year of £1,219,000. Going forward there are upside and downside risks to income streams and cost drivers; with proactive financial management the position is likely to improve further.

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 (accounting for over half of the service underspend), green waste income, the impact of charitable rates relief on the leisure centres and the lack of current calls made on the contingency budget.

4.3 As reported previously a number of additional grants have also been received (totalling £174k) 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), welfare and new burdens reliefs; and electoral reform funding. Due to the contribution to the A453 project not materialising the Council's in-year contribution of £125k from revenue represents a further underspend.

4.4 Whilst the revenue underspend position is positive there remain future financial pressures, not least risks surrounding business rates and in particular the impact of the power station. Around £0.5m of the £1.2m underspend will be required to meet the shortfall in business rate income arising from the 2013-14 outturn.

Capital Monitoring

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

CAPITAL PROGRAMME MONITORING - DECEMBER 2014			
EXPENDITURE SUMMARY	**Current Budget £000**	**Projected Actual £000**	**Projected Variance £000**
Transformation	1,840	600	(1,240)
Neighbourhoods	1,442	1,348	(94)
Communities	724	651	(73)
Corporate Governance	339	239	(100)
Finance & Commercial	5,476	1,006	(4,470)
Contingency	229	0	(229)
	10,050	**3,844**	**(6,206)**
FINANCING ANALYSIS			
Capital Receipts	(5,732)	(2,230)	3,502
Government Grants	(549)	(315)	234
Other Grants/Contributions	(632)	(444)	188
Use of Reserves	(3,137)	(855)	2,282
	(10,050)	**(3,844)**	**6,206**
NET EXPENDITURE	**-**	**-**	**-**

4.6 The original Capital Programme of £7.3million has been supplemented by £1.2million brought forward from 2013/14. Other adjustments, including agreed slippage on Cotgrave Masterplan and inclusion of sums for Funding Circle and Streetwise Loans give rise to a new programme of over £10million. This is an ambitious Capital Programme, consistent with the Council's growth agenda, which sees the commencement of the Leisure Strategy and Office Accommodation scheme. Investment in social housing, vehicle replacement, disabled facilities grants and partnership grants continues to be supported. In addition, major redevelopment is planned for Bridgford Hall and Alford Road Pavilion and smaller enhancement work at Bingham Market Place, Cotgrave Precinct, and The Point. The programme also contains a provision of £2million in the form of a loan to Nottinghamshire County Cricket Club to develop their facilities.

4.7 **Transformation**

The projected actual of £600,000 is significantly less than the current approved budget. A major element of this arises from the difficulty predicting the projected actual expenditure for the Bridgford Hall re-development project. Heritage Lottery funding of £1.495million has recently received first stage approval and total scheme costs are now estimated to be just over £2.3million. The other significant area of potential underspend relates to slippage on the acquisition of strategic properties on the Cotgrave Masterplan project as negotiations continue. Any underspends on Bridgford Hall and Cotgrave Masterplan will need to be carried forward.

4.8 **Neighbourhoods**

A variance of £94,000 is currently projected. This is less than previously reported as the result of a budget adjustment being made to the Support for Registered Housing Providers to reflect the reduction in grant needed for completion of the Garage Sites scheme. Expenditure on Disabled Facilities Grants continues to be regularly monitored. In the event that pressures increase on thisarea there is the option to utilise some of the £60,000 underspend on Discretionary Support Grants to support spending requirements. One 32t refuse freighter has been purchased so far under the vehicle replacement programme. In addition, a small sweeper was bought on behalf of, and subsequently sold to, Streetwise.

4.9 **Communities**

Projected expenditure is largely in line with the current programme with the exception of Capital Grant Funding and Community Partnership Reward Grants. For Capital Grant funding, the projected actual is based on the potential to release known grant commitments but claims continue to be assessed during the year and new grants could still be approved. It is now anticipated that £25,000 of Community Partnership Reward Grants will slip to 2015/16. This is for the Keyworth Activity Park which has now received planning permission and is proceeding to re-secure other sources of external funding. A contract was awarded for the redevelopment of Alford Road Pavilion (£307,000). These works are now complete with the Pavilion reopening in early December.

4.10 **Corporate Governance**

The in-year provision of £220,000 has been supplemented by £119,000 brought forward 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. There is a potential underspend of £100,000 arising from the Telephony Replacement which will be deferred and co-ordinated with the move to the Arena site.

4.11 **Finance & Commercial**

A significant variance of just under £4.5million is currently showing. This is 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 dualling of the A453. The projected actual for these two schemes is currently nil and the position will be reviewed at the year-end to assess whether these sums should be carried forward. In addition, the spending profiles of the Leisure Strategy/Office Accommodation project and Funding Circle loans have been revisited. Any unspent provisions for these projects will need to be carried forward to 2015/16.

4.12 **Summary**

The report overall projects underspends for both revenue and capital. It should be noted opportunities and challenges can arise in the final quarter 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. Other Options Considered

5.1 There are no other options.

6 Risk and Uncertainties

6.1 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.

7 Implications

7.1 Finance

Financial implications are covered in the body of the report.

7.2 Legal

None

7.3 Corporate Priorities

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

7.4 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:	CGG and Cabinet, November 2014, Revenue and Capital Budget Monitoring 2014/15 – Quarter 2
List of appendices (if any):	Appendix A –Revenue Outturn Position 2014/15 – Quarter 3 Appendix B – Revenue Variance Analysis Explanations Appendix C – Capital Programme 2014/15 – Quarter 3 Position

Appendix A

Revenue Outturn Position 2014/15 – Quarter 3

	Q3 Position - excl recharges				Total Costs				
	Budget YTD £'000	**Actual YTD £'000**	**Total Variation £'000**		**Budget £'000**	**Projected Outturn £'000**	**Total Variation £'000**	**Variation %**	**Variation Explanation**
Communities	767	2	(765)		2,591	2,075	(516)	(19.9%)	Due to additional Planning income.
Corporate Governance and Operations	2,180	2,163	(17)		1,394	1,451	57	4%	IER grant funded expenditure offset by staff vacancies.
Finance and Commercial	15,483	15,808	325		3,755	3,473	(282)	(7%)	Current overspend due to timing differences on HB payments. Underspend assumes no call on contingency and leisure trust NNDR relief reducing payments to contractors.
Neighbourhood	2,212	2,028	(184)		4,246	4,154	(92)	(2%)	Additional green waste income and income from Notts CC for garage rental.
Transformation	484	391	(92)		(8)	(95)	(87)	(1,087%)	Additional income from partners at RCCC, investment properties and staff savings.
Sub-total	**21,126**	**18,302**	**(875)**		**11,978**	**11,058**	**(920)**	(7%)	

Capital Accounting Adjustments	(1,514)	(1,514)	0		(1,514)	(1,514)	0	0	
Grant Income (including NHB)	(1,981)	(1,684)	0		(1,981)	(2,155)	(174)	(8.8%)	Additional £100k SBRR, £50k elections, £24k Welfare Reform and new burdens funding
Transfer to/from (-) reserves	1,279	1,254	(25)		1,254	1,254	0	0	Reduction in reserves due to funding of Member Community grants
Revenue contribution to capital	277	277	0		277	152	(125)	(45%)	Planned contribution regarding A453 no longer committed
Total	**12,152**	**11,252**	**(900)**		**10,014**	**8,395**	**(1,219)**	**(11)**	

Appendix B

Revenue Variance Analysis Explanations

ADVERSE VARIANCES	Variance YTD £'000	Projected Outturn £'000
Corporate Governance		
Electoral Registration – Employee & IER costs – funded by Government Grant	58	70
Performance & Reputation – external printing costs	12	15
IT Rechargeables - New maintenance contracts entered into	23	23
Communities		
Arts & Events – Salary overspend due to maternity cover	10	14
Local Development Framework – Growth Point studies	7	37
Finance & Commercial		
Finance – Agency and redundancy costs less savings on vacancies	38	55
Council Tax – Undertaking of Empty Homes Review	20	22
Housing Benefits – Greater than budgeted for level of payments matched by receipt of subsidy at year end	365	0
HB Admin – Legal Costs incurred following appeal	17	19
Neighbourhoods		
Food & Safety – Contractor costs overspent due to workload	9	12
Housing Standards – Mobile Home Licence budget too high	9	13
Waste Collection & Recycling – Agency costs and sale of bins to developers not yet undertaken (offset by green waste income below)	22	25
Depot – Additional repair costs	13	19
Streetwise - Severance offset mainly by savings incurred before go-live. The current underspend relates to capital expenditure and insurance costs incurred by Streetwise that will be recovered over the remainder of this financial year	(50)	32
Fleet & Garage – increase due to additional reactive repair work	25	25
Transformation		
Land Holdings - Heritage Lottery Funding bid costs for Bridgford Hall	25	25
Total Adverse Variances	**603**	**406**

FAVOURABLE VARIANCES	Variance YTD £'000	Projected Outturn £'000
Corporate Governance		
Democratic Services – Underspends on member grants and mayoral transport	(22)	(17)
IT - Staff vacancies	(25)	(29)

Communities		
Local Development Framework – employee cost savings	(17)	(17)
Development Control - Increased Application Fees	(522)	(542)
Finance & Commercial		
Contingencies - Contingency dependant on risks identified	0	(188)
Internal Audit - renegotiated contract	(14)	(17)
Insurances - renegotiated contract	(11)	(11)
Leisure Centres – contract savings due to business rate relief	(140)	(140)
Car Parks - Staff savings offset by reduction in income	(18)	(15)
Council Tax Benefits - staff vacancies and business rates relief	(10)	(12)
Neighbourhoods		
Animal & Public Health – Project work not commenced	(23)	(20)
Home Alarms - Increase in Metropolitan Housing Trust customers	(7)	(29)
Waste Collection & recycling – Increase in Green Waste customers, reduction in staffing levels and diesel savings	(110)	(138)
Depot -NCC Additional lease of garage space	(44)	(62)
Transformation		
Customer Services - Additional income from partners	(5)	(32)
Transformation - Employee savings and Regional Improvement and Efficiency Partnerships (RIEP) funding balance	(34)	(35)
Investment Properties - NNDR savings and rental income	(43)	(46)
Property Services - Employee savings	(16)	(15)
Total Favourable Variances	**(1,061)**	**(1,365)**
Sum of Minor Variances	**(417)**	**39**
TOTAL VARIANCE	**(875)**	**(920)**

Appendix C

Capital Programme 2014/15 – Quarter 3 Position

CAPITAL PROGRAMME MONITORING - DECEMBER 2014						
	Original Budget	**Budget YTD**	**Actual YTD**	**Current Budget**	**Projected Actual**	**Variance**
		£000	**£000**	**£000**	**£000**	**£'000**
TRANSFORMATION						
Cotgrave Masterplan	0	150	152	729	300	(429)
The Point Enhancements	50	0	0	80	30	(50)
Civic Centre Vacant Space Works	0	104	75	120	120	0
Civic Centre Enhancements - External Works	0	31	12	41	25	(16)
Cotgrave Precinct Enhancements	50	0	0	50	0	(50)
Bingham Market Place Improvements	60	0	0	60	60	0
Bridgford Hall Refurbishment	650	0	0	650	40	(610)
Civic Centre Enhancements - General	0	0	0	85	0	(85)
Footpath Enhancements	25	0	0	25	25	0
	835	**285**	**240**	**1,840**	**600**	**(1,240)**
NEIGHBOURHOODS						
Discretionary Support Grants	0	0	0	60	0	(60)
Support for Registered Housing Providers	840	15	33	599	565	(34)
Wheeled Bins Acquisition	60	60	65	75	75	0
Disabled Facilities Grants	375	306	296	408	408	0
Vehicle Replacement	300	231	231	300	300	0
	1,575	**612**	**625**	**1,442**	**1,348**	**(94)**
COMMUNITIES						

Community Partnership Reward Grants	0	21	3	28	3	(25)
Nottinghamshire Cricket Club - Grant	90	0	0	90	90	0
Alford Road Pavilion Redevelopment	0	305	328	350	350	0
Rushcliffe Country Park - Play Area	0	86	82	86	86	0
Capital Grant Funding	63	36	40	105	57	(48)
Play Areas - Special Expense	50	0	0	62	62	0
The Hook M.U.G.A.	0	3	3	3	3	0
	203	**451**	**456**	**724**	**651**	**(73)**
CORPORATE GOVERNANCE						
IS Strategy	220	119	85	339	239	(100)
	220	**119**	**85**	**339**	**239**	**(100)**
FINANCE & COMMERCIAL						
KLC - Pitch Upgrade	25	25	25	25	25	0
Leisure Strategy/Office Accommodation	2,000	225	225	2,020	425	(1,595)
BLC Enhancements	0	0	0	40	40	0
Nottinghamshire Cricket Club - Loan	2,000	0	0	2,000	0	(2,000)
Funding Circle Loans	0	0	0	500	50	(450)
Streetwise Loan	0	516	466	516	466	(50)
Dualling of A453 - Contribution	375	0	0	375	0	(375)
	4,400	**766**	**716**	**5,476**	**1,006**	**(4,470)**
CONTINGENCY						
Contingency	150	0	0	229	0	(229)
	150	**0**	**0**	**229**	**0**	**(229)**
TOTAL	**7,383**	**2,232**	**2,122**	**10,050**	**3,844**	**(6,206)**

	Corporate Governance Group 29 January 2015 Work Programme	8

Rushcliffe
Borough Council

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
29 January 2014	• Internal Audit Progress Report 2014/15 • Treasury Management Update • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2013/14 • Work Programme
26 March 2014	• External Audit Plan 2014/15 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
June	• Internal Audit Progress Report 2015/16 • Internal Audit Annual Report 2014/15 • Health and Safety Annual Report • Final Accounts and Annual Governance Statement 2014/15 • Corporate Governance Annual Report 2014/15 • Fraud & Irregularities 2014/15 • Revenue & Capital Budget Monitoring • Work Programme
September	• Internal Audit Progress Report 2015/16 • Statement of Accounts 2014/15 • External Auditors Annual Governance Report 2014/15 • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme
December	• Internal Audit Progress Report 2015/16 • Health and Safety Interim report • Risk Management Update • Annual Audit Letter • 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