



**NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 29 JANUARY 2015**

Held at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road,
West Bridgford

PRESENT:

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

ALSO IN ATTENDANCE:

1 Member of the Public
C Williams Baker Tilly

OFFICERS PRESENT:

A Goodman Member Support Officer
P Linfield Service Manager - Finance and Commercial
P Steed Executive Manager - Finance and Commercial

APOLOGIES FOR ABSENCE:

There were no apologies for absence

26. Declarations of Interest

There were none declared.

27. Notes of the Previous Meeting

The notes of the meeting held on Thursday 13 November 2014 were accepted as a true record.

28. Certification of Grants and Returns 2013/14

The Group considered the report from the Council's external auditor KPMG that summarised the work undertaken in relation to the certification of the Council's grant claims and returns for the financial year 2013/14. The audit certification was undertaken after the completion of the Statement of Accounts and now, due to the change in Business Rates arrangements, was now only required for the Housing Benefit Subsidy claim.

Only one error of £392 was identified from an overall spend of £17.7 million and there were no recommendations regarding improving processes. As a consequence, the fee was likely to be £9,197, subject to final confirmation, which was below the budget of £9,680.

It was AGREED that the Certification of Grants and Returns – Annual Report 2013/14 be accepted.

29. **Internal Audit Progress Report**

Mr Williams, a representative from Baker Tilly, the Council's internal auditors, informed Members that in line with the audit plan, five reports had been finalised since the last meeting of the Group, for the areas of Development Control – pre planning applications, Mobile Homes Act Licenses, Risk Management, Main Accounting and Budgetary Control, and Housing Benefits. He reported that the assurance level for all the audits was green, the highest achievable and that there was only one medium risk recommendation, for the area of Development Control – pre planning applications.

There were currently five audits at the work in progress or draft stage for the areas of Nottinghamshire Parking Partnership, Council Tax, NNDR, Ordering and Creditors, and Follow Up, which would be presented to the next meeting of the Group in March 2015.

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

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

The Group considered the report of the Executive Manager - Finance and Commercial that provided details of the Capital Prudential Indicators, and the Council's Treasury Management and Investment Strategy, for 2015/16 to 2019/20.

The Service Manager - Finance and Commercial reported that under the Local Government Act 2003, when carrying out capital and treasury management activities, the Council was required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. He explained that objectives of the Code were to ensure that capital investment plans were affordable, prudent and sustainable, and that treasury management decisions were taken in accordance with the Council's Treasury Management Strategy.

The Service Manager - Finance and Commercial outlined the main points of the Capital Prudential Indicators, as follows;

- The projected capital expenditure plans and funding
- The Council's Borrowing Need (the Capital Financing Requirement CFR);
- The Minimum Revenue Provision (MRP) Policy Statement, 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.

The Group considered the Treasury Management and Investment Strategy 2015/16 to 2019/20, which covered:

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

In conclusion, The Service Manager - Finance and Commercial informed the Group that the Capital Prudential Indicators and Treasury Management Strategy gave both a position statement and details of the future position of the Council's Capital and Treasury plans. The documents complied with best professional practice and were recommended to Council for approval as part of the Council's Medium Term Financial Strategy (MTFS).

The Executive Manager – Finance and Commercial explained that internal borrowing involved using money from the Council's working balances and not from its Reserves. This method of borrowing meant that in the future, the Council could convert the internal loan to a Public Works Loan, if required. The Capital Financing Requirement would increase from 2015/16 onwards, as a direct result of the internal borrowing in relation to the Arena project. The Authorised Limit for External Debt had been increased to reflect the pressures in relation to Leisure Strategy and potential borrowing to fund the purchase of property as investment opportunities.

Following questions the Service Manager – Finance and Commercial confirmed that currently income from the New Homes Bonus was approximately £1.8 million per annum, however its level of sustainability was a risk. Internal Borrowing was subject to nominal Interest charges via an agreed formula, therefore allowing for the retention of some treasury income. In respect of Treasury Management the biggest change was implementation of the "bail in" system and the subsequent impact on the limits that could be invested and the counterparties that the Council could use.

It was AGREED that the Group recommend to Council for approval, as part of the Council's budget setting process:

- a) the Prudential Indicators and Limits for 2015/16 to 2019/20 contained within Appendix A of the report;
- b) the Minimum Revenue Provision (MRP) Statement (paragraph 9 of Appendix A, of the report) which sets out the Council's policy on MRP; and

- c) the Treasury Management Strategy 2015/16 to 2019/20 and the Treasury Indicators, contained within Appendix A, paragraph 19 of the report.

31. Revenue and Capital Budget Monitoring 2014/15 – Quarter 3 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 31 December 2014.

The Revenue budget monitoring report indicated an underspend against the profiled budget of £900,000, with a projected favourable variance of £1,219,000 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 and the lack of calls made on the contingency budget. Due to statutory changes that had been introduced a number of additional grants totalling £174,000 had also been received which would assist the Council with specific service expenditure pressures. These were 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 £125,000 from revenue represented a further underspend. Whilst the revenue underspend position was positive there remained future financial pressures surrounding business rates and in particular the impact of the power station. Around £0.5 million of the £1.2 million underspend would be required to meet the shortfall in business rate income that had arisen from the 2013/14 outturn.

In respect of the Capital budget monitoring, the report indicated a net underspend of £110,000 to the end of December 2014, with a projected favourable variance of £6,206,000 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 agreed slippage with regards to Cotgrave Masterplan and Bridgford Hall; and uncertainty with regards to the loans to Nottinghamshire County Cricket Club and the payment in respect of the A453 project.

Following a question, the Service Manager – Finance and Commercial explained that the revenue and capital position at the end of quarter three gave a good indication of the final outturn and that any potential issues would have been identified by this time.

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

32. 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 years 2014/15 and 2015/16.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
26 March 2015	<ul style="list-style-type: none">• External Audit Plan 2014/15• Internal Audit Progress Report 2014/15• Internal Audit Strategy 2015/16• Risk Management Update• Work Programme
18 June 2015	<ul style="list-style-type: none">• 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
3 September 2015	<ul style="list-style-type: none">• 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
3 December 2015	<ul style="list-style-type: none">• Internal Audit Progress Report 2015/16• Health and Safety Interim report• Risk Management Update• Annual Audit Letter• Revenue & Capital Budget Monitoring• Work Programme

The meeting closed at 8.00 pm.

Action Sheet

Corporate Governance Group - Thursday 29 January 2015

Minute Number	Actions	Officer Responsible
26 Notes of the Previous Meeting	None	
27 Certification of Grants and Returns 2013/14	None	
28 Internal Audit Progress Report	None	
29 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015/16	None	
30 Work Programme	None	