

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 3 SEPTEMBER 2015

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

PRESENT:

Councillors G S Moore (Chairman), N A Brown, M Buckle, G Davidson,
A M Dickinson, R Hetherington, A MacInnes, S C Matthews and J E Thurman

ALSO IN ATTENDANCE:

A Bush KPMG
T Tandy KPMG

OFFICERS PRESENT:

A Goodman Member Support Officer
A Hall-Wright Group Accountant Capital and Resources
P Linfield Interim Executive Manager - Finance and Commercial

APOLOGIES FOR ABSENCE:

There were no apologies for absence

13. Declarations of Interest

There were none declared.

14. Notes of the Previous Meeting

The notes of the meeting held on Monday 29 June 2015 were accepted as a true record.

15. Approval of the Statement of Accounts 2014/15 and External Auditors Report To Those Charged with Governance 2014/15

The Interim Executive Manager – Finance and Commercial presented a report outlining the Council's statutory Statement of Accounts for 2014/15. He was pleased to inform the Group that no significant issues have arisen from the audit this year. The Council's External Auditors KPMG had reported that the Authority had good processes in place for the production of the accounts and good quality supporting working papers. However the closure of accounts process had not been without difficulty, as this was the first year the Streetwise Accounts had been produced, and Group financial statements were required. He drew Members' attention to page 75 of the Statement of Accounts and explained that there had been an alteration of £21,000 in respect of the Group Accounts. This was as a result of an amendment to the Streetwise accounts however it did not affect the overall main Statement.

The Interim Executive Manager – Finance and Commercial highlighted the Explanatory Forward contained in the Statement of Accounts that summarised the key events and their financial impact. In respect of the revenue account he stated that the Council had made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council had achieved a balanced budget with reserves increasing by a net £1.235 million to £11.457 million. A total of £2.566 million had been transferred into reserves, £1.474 million from the New Homes Bonus with the remainder largely due to year-end underspend. Much of the £1.331 million use of Reserves was in relation to capital projects including the Leisure Strategy and providing affordable housing.

In relation to the Council's Capital Programme 2014/15 the Council had spent £3.3 million compared to an overall Capital Programme of £10.1 million. Of the remaining £6.8 million, £4.1 million was committed to on-going Capital Schemes and had been carried forward into the 2015/16 Capital Programme, and the remaining £2.7 million comprised of savings and sums no longer required. During 2014/15 Capital Receipts represented the largest funding source at £1.504 million and at 31 March 2015, the balance in the Usable Capital Receipts Reserve stood at £11.797 million compared to £10.949 million in 2013/14.

The Interim Executive Manager – Finance and Commercial outlined the Major Service Developments and Future Challenges. He informed Members that during 2014/15 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context could be seen in the positive Value for Money conclusion given by the external Auditors KPMG in their 2014 Annual Audit Letter, the delivery of transformational activity such as that being delivered with partners at Cotgrave, and looking forward, the development of leisure and office facilities, and the maintenance of a balanced revenue budget without reductions in service quality. It also reflected the continued work in the Transformation Strategy to identify efficiency savings of £1.3m until 2019/20 through initiatives based upon three core principles of business cost reduction, income generation and service redesign. Looking ahead the Council faced a range of challenges and opportunities. These included; Meeting the financial challenge of maintaining a sustainable Medium Term Financial Strategy, Changes to Local Government funding, Pension Contributions and Commitment to Growth.

Mr Bush presented the External Auditor's Report to those Charged with Governance (ISA 260) 2014/15. He informed Members that the report summarised the key issues identified during the audit of the Council's financial statements for the year ending 31 March 2015 and an assessment of the Authority's arrangements to secure value for money in its use of resources. He anticipated issuing an unqualified audit opinion by 30 September 2015 and the Annual Governance Statement complied with the guidance issued by CIPFA/SOLACE in June 2007. The audit of the financial statements did not identify any material adjustments, however, a small number of non-trivial adjustments were required, most of which were of a presentational nature.

Mr Bush informed Members that as part of the External audit plan, issued in March 2015, the Consolidated Group Accounts in respect of Streetwise were identified as a risk specific to the Council. The Audit Team had worked with officers throughout the year to discuss this risk and there are no matters of any significance arising as a result of the audit work in this risk area. Mr Bush reported that the Authority had good processes in place for the production of the accounts and had produced good quality supporting working papers. Officers had dealt efficiently with audit queries and the audit process has been completed within the planned timescales. He noted that the authority had made particular progress in reviewing and streamlining the bank reconciliation process which had enabled the Auditors to review the year-end bank reconciliation earlier this year, as part of an interim audit visit. He confirmed that the External Audit team had complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements. Following the Council meeting on 24 September and the signing of the letter of representation he assured Members that he would issue his unqualified opinion prepare the Annual Audit Letter and close the accounts. He stated that his Value For Money (VFM) conclusion was that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources and anticipated issuing an unqualified conclusion.

In response to questions, Mr Bush explained that the duration of the audit was approximately two months, the equivalent of 60 man days. The main on site work lasted between two and three weeks, however interim site visits were carried out prior to the main audit to conduct preparatory work. The Interim Executive Manager - Finance and Commercial confirmed that the External Auditors were appointed independently.

In respect of materiality and the reporting of audit differences, Mr Bush explained that the threshold of two percent of gross expenditure was standard across public bodies including Local Government and the National Health Service. Although materiality was set at £840,000 the audit procedures had been designed to detect errors in specific accounts at a lower level of precision and differences would only normally be considered to be clearly trivial if less than £42,000. Mr Bush confirmed that for some areas including payroll, cash and expenses all differences were investigated regardless of the amount. Some Members expressed concern that the level was £42,000 and the public perception of this, however it was noted that this was equivalent to less than £1 on council tax band D.

The Group discussed the challenges and opportunities that the Council faced looking ahead. Members expressed concern over the increase in the Pension Fund liabilities and the potential long term effect on the Council's finances. Mr Bush explained that although the liability exceeded the Council's net worth, this was an area that was out of the Council's control, and was not of concern. There were statutory arrangements and legislation in place to ensure the Pension Fund remained healthy, and on-going reforms were reducing the funding gap.

On behalf of the Group, the Chairman thanked Mr Tandy and his team for their work in undertaking the Audit and congratulated the Finance Team on producing a clear set of accounts within the given timescales.

It was AGREED that the Group

- a. Accepted the Statement of Accounts for 2014/15 and recommended them to Council for approval,
- b. Endorsed the Draft Management Representation Letter, and
- c. Supported the External Auditor's Report to Those Charged with Governance 2014/15 and forwarded it to Council for endorsement.

16. **Treasury Management Outturn Position 2014/15**

The Interim Executive Manager - Finance and Commercial presented the Treasury Management Outturn Position 2014/15 report that, in line with the Local Government Act 2003 and the CIPFA Code of Practice, provided a summary of the transactions undertaken by the Council as part of the Treasury Management function. The report reflected how the Council had invested its money during 2014/15, the rate of return achieved and the Counterparties that had been used.

The Interim Executive Manager - Finance and Commercial informed the Group that during 2014/15 the Council had complied with its legislative and regulatory requirements. The actual expenditure for the capital programme for 2014/15 was £3.33 million against the approved budget of was £10.1 million. This included carry forwards of £4.05 million approved by Cabinet on 21 July 2015 and savings totalling £2.72 million. Consequently there had been no requirement to borrow and therefore no change in the Capital Financing Requirement (CFR). The Council had maintained its gross borrowing within the authorised limit and operational boundary for external debt. The indicator for Ratio of Financing Costs to Net Revenue Streams was negative denoting that investment yields had exceeded borrowing costs.

During 2014/15, the Bank Rate remained at 0.5% and the short term money market rates also remained at very low levels, which had a significant impact on investment income. The overall rate of return on investments for the year was greater than that projected in the budget at 1.09%, which compared favourably with 0.63% for 2013/14. This was due to the investments with the CCLA property Fund and Newcastle City Council, which resulted in a return on investments of £343,000 against the budget £260,000.

In relation to the table showing details of investments for 2014/15, as previously requested, the Group felt that it would be beneficial for the dates the investments commenced to be included.

Action The Interim Executive Manager - Finance and Commercial to recirculate the table containing start dates for investments and include in future reports

In response to questions, Members were informed that the parameters for investments were set out in the Treasury Management Strategy that was agreed by Council. Independent expert advice was provided by Arlingclose Limited, the Council's treasury management advisors who also provided the training for Members. The Group felt that the latest version of the Treasury

Management Strategy should be made available at the upcoming training session as some newly elected Members may not have received a copy.

Action The Interim Executive Manager - Finance and Commercial to provide copies of the Treasury Management Strategy at the training session on 7 September

It was AGREED that the report be noted.

17. **Revenue & Capital Budget Monitoring 2015/16 – Quarter 1 Update**

The Group considered the report of the Interim Executive Manager - Finance and Commercial that gave details and explanations of significant variances against the profiled budget to 30 June 2015.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £227,000, with a projected favourable variance of £415,000 for the year. He informed Members that the underspend reflected a number of positive variances which, included additional income from a number of major planning applications, better income returns on investments, the lack of current calls made on the contingency budget and on-going rental income from the lease of the garage to Nottinghamshire County Council. A revenue loan of £30,000 had been made via the Funding Circle to support local businesses which would be met from the projected revenue underspend for the year.

In respect of the Capital budget monitoring, the report indicated a net underspend of £128,000 to the end of June 2015, with a projected favourable variance of £1,735,000 for the year. The main key variations included £300,000 due to uncertainty of projecting expenditure levels for strategic acquisitions in Cotgrave, £599,000 for the Bridgford Hall refurbishment, £100,000 to address any health and safety work at the Civic Centre, £409,000 underspend on Support for Registered Housing Providers and the acceleration of £479,00 for the vehicle replacement programme. There was currently a variance of £500,000 in respect of the Funding Circle, as to date no capital loans had been agreed, however one revenue loan of £30,000 had been granted.

Members queried the underspend in respect of the Support for Registered Housing Providers and the need for affordable housing. Officers explained that discussions were currently underway with Metropolitan and Waterloo Housing to explore future development options, including a further programme of garage site developments. However as it was unlikely that the funds would be spent this year, the unspent balance would be carried forward to support new schemes in future years.

It was AGREED that the Corporate Governance Group

- a) note the projected revenue and capital underspend positions for the year of £415,000 and £1,735,000 respectively; and
- b) note the use of £30,000 revenue underspend, reflected in the £415,000 figure quoted above, in relation to the first approved Funding Circle loan.

18. 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 2015/16.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
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• Treasury Management Six Month Monitoring Report• Revenue & Capital Budget Monitoring• Work Programme
11 February 2016	<ul style="list-style-type: none">• Internal Audit Progress Report 2015/16• Treasury Management Update• Revenue and Capital Budget Monitoring• Certification of Grants and Returns – Annual Report 2014/15• Work Programme
21 April 2016	<ul style="list-style-type: none">• External Audit Plan 2015/16• Internal Audit Progress Report 2015/16• Internal Audit Strategy 2016/167• Risk Management Update• Revenue & Capital Budget Monitoring• Work Programme

The meeting closed at 8.25 pm.

Action Sheet

Corporate Governance Group - Thursday 3 September 2015

Minute Number	Actions	Officer Responsible
14 Notes of the Previous Meeting	None	
15 Approval of the Statement of Accounts 2014/15 and External Auditors Report To Those Charged with Governance 2014/15	None	
16 Treasury Management Outturn Position 2014/15	a) recirculate the table containing start dates for investments and include in future reports b) provide copies of the Treasury Management Strategy at the training session on 7 September	Interim Executive Manager - Finance and Commercial
17 Revenue & Capital Budget Monitoring 2015/16 – Quarter 1 Update	None	
18 Work Programme	None	