

**NOTES**  
**OF THE MEETING OF THE**  
**CORPORATE GOVERNANCE GROUP**  
**THURSDAY 8 SEPTEMBER 2016**

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

**PRESENT:**

Councillors G S Moore (Chairman), K P Beardsall, M Buckle, A J Edyvean, S J Hull, A MacInnes, S C Matthews, J A Stockwood (Substitute for N A Brown) and Mrs M Stockwood (Substitute for A M Dickinson)

**ALSO IN ATTENDANCE:**

A Bush KPMG  
T Tandy KPMG

**OFFICERS PRESENT:**

N Carter Service Manager - Finance and Corporate Services  
A Goodman Constitutional Services Officer  
A Graham Chief Executive  
A Hall-Wright Financial Services Manager  
P Horsfield Monitoring Officer  
P Linfield Executive Manager - Finance and Corporate Services

**APOLOGIES FOR ABSENCE:**

Councillors N A Brown and A M Dickinson

**9. Additional Item**

The Chairman informed the Group he had agreed that an additional Item on the Civic Centre would be included on the Agenda. It was intended that the public be excluded from the meeting for consideration of the item pursuant to Regulation 4 (2) of the above Regulations Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, on the grounds that it was likely that exempt information may be disclosed as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

**10. Declarations of Interest**

There were none declared.

**11. Notes of the Previous Meeting**

The notes of the meeting held on Tuesday 28 June 2016 were accepted as a true record.

The Executive Manager - Finance and Corporate Services explained that although there had been a delay in some Members receiving paper copies of the Agenda, it had been published in line with the statutory requirements.

**12. Approval of the Statement of Accounts 2015/16 and External Auditor's Report To Those Charged With Governance 2015/16**

The Executive Manager - Finance and Corporate Services presented a report outlining the Council's statutory Statement of Accounts for 2015/16. He explained that the accounts for Local Authorities were required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and the Service Reporting Code of Practice for Local Authorities (SerCOP). He was pleased to inform the Group that the accounts had been closed earlier and 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.

The Executive Manager - Finance and Corporate Services highlighted the Narrative Statement contained in the Statement of Accounts that had replaced the traditional Explanatory Forward. He explained that in addition to summarising the key events and their financial impact, this section now included non-financial performance indicators against key corporate priorities and commentary on key risks.

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 decreasing by a net £1.917 million to £9.540 million. A total of £3.204 million had been transferred into reserves, £1.870 million from the New Homes Bonus with the remainder largely due to year-end underspend. Much of the £5.121 million use of Reserves was in relation to capital projects including the Leisure Strategy.

In relation to the Council's Capital Programme 2015/16 the Council had spent £7.050 million compared to an overall Capital Programme of £16.348 million. Of the remaining £9.298 million, £9.651 million was committed to on-going Capital Schemes, £0.075 million minor savings had been achieved and £0.428 million had been accelerated from 2016/17 for the vehicle replacement programme. The Executive Manager - Finance and Corporate Services explained that just over 50%, £3.972 million, of the Capital Expenditure for the year was on "Assets Under Construction". This included the contracted works commenced on two ambitious redevelopment schemes of Bridgford Hall and Rushcliffe Arena. A further £0.262 million was undertaken on enhancement work to "Operational Land and Buildings and Investment Property", to keep the Council's assets in prime condition. The Council had invested £1.797 million on the acquisition of "Vehicles, Plant, and Equipment", as part of the Replacement Vehicle programme. A further £0.075 million was incurred on "Intangible Assets" for Information Systems. The other significant form of Capital Expenditure comprised of capital grants and contributions released to finance capital assets owned by third parties. Of the £0.944 million released, £0.337 million was in the form of Disabled Facilities Grants. The balance of £0.607 million had resulted from partnership grants and included £0.217

million to continue the acquisition of strategic properties in Cotgrave, working with Metropolitan Housing, and £0.162 million to facilitate the rollout of Broadband across the Borough.

The Executive Manager - Finance and Corporate Services reported that during 2015/16, Use of Reserves, including New Homes Bonus monies, represented the largest funding source at £3.919 million and at 31 March 2016, the balance in the Usable Capital Receipts Reserve stood at £9.773 million compared to £11.797 million in 2014/15.

The Executive Manager - Finance and Corporate Services outlined the Major Service Developments and Future Challenges. He informed Members that during 2015/16 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 2015 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 £1.19 million until 2020/21 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.

The Executive Manager - Finance and Corporate Services explained that the Council's accounts consisted of the Movement in Reserves Statement, the Comprehensive Income and expenditure Statement, Balance Sheet and the Supplementary Financial Statements that included Collection Fund and Group Accounts. The Accounts also contained notes and a Glossary of Terms to aid understanding.

Mr Bush presented the External Auditor's Report to those Charged with Governance (ISA 260) 2015/16. He informed Members that the report summarised; the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2016 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 2016 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, all of which were of a presentational nature.

Mr Bush informed Members that as part of the External audit plan, issued in April 2016, Capital Programme Accounting, Group Accounts and Pension Liability assumptions had been identified as audit risks specific to the Council. The Audit Team had worked with officers throughout the year to discuss these risks and there are no matters of any significance arising as a result of the audit work for these areas. He 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.

In relation to Value For Money (VFM), Financial Resilience and Capacity, Asset Investment Strategy Fund, and the Arena Capital Programme had been identified as risks in the External audit plan. There were no matters of any significance arising as result of the audit work in these VFM risk areas which would impact on the overall VFM conclusion. However, one recommendation had been raised in regard to final due diligence prior to finalising the loan with Nottinghamshire County Cricket Club. Mr Bush stated that his 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.

Following the Council meeting on 30 September and the signing of the letter of representation Mr Bush assured Members that he would issue his unqualified opinion, prepare the Annual Audit Letter and close the accounts. 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.

In response to questions, Members were informed that implementation date for the recommendations in respect of the loan to Nottinghamshire County Cricket Club was ongoing as the loan would be drawn down in stages. The progress would be reported to the Group on a regular basis through the Capital and Revenue Budget Monitoring, and Treasury Management reports and that the Auditors were happy with the arrangements in place. There would be some impact on the Budget, which would be dealt with through the Medium Term Financial Strategy. Mr Bush confirmed that the loan formed part of the Asset Investment Strategy and would be subject to regular audit.

Members queried the level of pension liability for Streetwise Environmental Limited in comparison to the net worth of the company. The Executive Manager - Finance and Corporate Services explained that it was proportionate to that of the Council and that the pension scheme was now based on career average. The Chief Executive informed Members that as Streetwise was a separate company, this was not an issue for the Group and that new employees were not part of the Council's pension scheme. In respect of the £31,000 profit for Streetwise, the Executive Manager - Finance and Corporate Services confirmed that this would be put into their own reserves.

Members discussed the ongoing trend of increase in the Pension Fund liabilities and the effect this had on the Council's net worth. Although changes to the Local Government Scheme had reduced the deficit, the Group expressed concern in relation to the overall trend. 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 an issue everywhere including private companies. The Government were responsible for putting statutory arrangements and legislation in place to ensure the Pension Fund remained healthy.

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

It was AGREED that the Group

- a. Accepts the Statement of Accounts for 2015/16 and recommends it to Council for approval,
- b. Endorse the Draft Management Representation Letter, and
- c. Support the External Auditor's Report to Those Charged with Governance 2015/16 and forwards it to Council for endorsement.

### 13. **Review of Constitution 2016**

The Monitoring Officer reminded Members that at its meeting on 28 June 2016 the Corporate Governance Group considered a first draft of the document. Following this, the Group's observations and proposed changes and comments, in respect of formatting, typographical and factual changes had been reflected in the revised draft of the document. The Group also requested that they had a further opportunity to consider a final draft at their meeting on 8 September 2016, prior to it being referred to Cabinet on 11 October 2016, with the final version being submitted to Council on 8 December 2016 for approval.

The Monitoring Officer explained that although the Council's Constitution had been largely fit for purpose, a light touch review was required in order to ensure its provisions were in line with both legislation and the structure of the Authority. Amendments that had been necessary included provisions to bring the Constitution in to line with the changes brought about through the Localism Act 2011 that had removed the Statutory Petition Scheme. A root and branch review required a significant time input from both Members and officers that was not presently in place, but that Members could request this should they so wish. It was noted that significant resources were focussed on other outward facing corporate projects currently.

The Monitoring Officer reported that due to the large Agenda and the size of the documents, he had circulated a table to the Group prior to the meeting to collate Members' comments. He had offered to discuss any issues prior to the meeting and was happy to meet afterwards with individual Members to discuss any further issues. Policy issues were not for consideration at this meeting as they required proper time to consider and could require input from all Councillors.

The Group considered the changes to the Constitution and discussed their role and function in reviewing its content. They agreed that although the changes in respect of legislation and Structure should be accepted a full review was required irrespective of the size of the task. The Monitoring Officer agreed that a full review of the Constitution would be included in the Group's Work Programme, however time would be required for officers to undertake initial work to identify workstreams and complete preparatory work. Based on experiences at other councils, a full review would take a significant amount of

time and that Council was currently undertaking many large projects. Many of the items including “Public Speaking” were complex and would require many decisions and input from all Members before policy changes were introduced.

The Monitoring Officer confirmed that he understood the Members’ concerns and that he would prepare an initial background report outlining the history of the Constitution and a subsequent programme of work for the Group.

**Action      The Monitoring Officer to prepare a report (including the historical and legal context) to enable the Group to consider a full review of the Constitution and schedule this into the Group’s Work programme**

The Chief Executive commented that it was evident from the discussion that Members and officers had the same intention. The review had been undertaken as the current changes in respect of the Localism Act and the Restructure needed to be incorporated into the Constitution. It was important for Members to see the changes to the Petition Scheme however grammatical errors could have been done by officers under delegation. He explained that it may be beneficial for Members to understand the history of the Constitution and its parts before deciding which areas they wanted to review. The introduction of “Public Speaking” would require a change in policy and would require the approval of Council. In the first instance, Members may wish to consider public speaking at Development Control Committee and undertake a Peer Review and give consideration to its merits. Cabinet would decide whether the Corporate Governance Group or a Member Group would be the appropriate body to undertake the work. Following a decision on Development Control Committee, consideration could then be given to Public Speaking at Council and Cabinet. The issue of first class rail travel could be considered as part of the Budget Workshop process and then any changes could be referred to the Corporate Governance Group.

In respect of the volume of track changes and comments still contained in the document, the Monitoring Officer confirmed that all the changes would be accepted. Members felt that the document in its current form was difficult to understand and requested a further clean copy. The Monitoring Officer explained that the Constitution was a living document and due to its size it was accepted that there would always be some minor amendments required.

**Action      The Monitoring Officer provide a clean copy of the Constitution without “track changes”, as part of the papers to Full Council**

It was AGREED that the Group

- a) recommend the Constitution as amended, to reflect changes brought about through the Localism Act 2011 and the structure of the Council, be forwarded to Cabinet for consideration; and
- b) receive a report for the meeting on 1 December 2016 to enable the review of the Constitution to be included in the Work Programme going forward.

#### 14. Treasury Management Outturn 2015/16

The Financial Services Manager (FSM) presented the Treasury Management Outturn Position 2015/16 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 2015/16, the rate of return achieved and the Counterparties that had been used.

The FSM informed the Group that during 2015/16 the Council had complied with its legislative and regulatory requirements. The actual expenditure for the capital programme for 2015/16 was £16.35 million against the approved budget of was £7.05 million. This included carry forwards of £9.651 million approved by Cabinet on 12 July 2016, £428,000 which had been transferred from 2016/17 into 2015/16 due to the acceleration of the vehicle replacement programme and savings that totalled £75,000. 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.

Members were informed that the Council's debt and investment position was managed by the treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks, in accordance with the approved Treasury Strategy.

The Strategy for 2015/16 had anticipated that short term money market rates would remain at very low levels and that the Bank Rate would increase in quarter 3 of 2015, however this did not materialise. The Council had continued with the prudent investment of treasury balances to achieve the objectives of security of capital and liquidity of its investments, whilst achieving the optimum return on investments. The continuing instability of the market had resulted in restrictions remaining on which counterparties investments could be placed with and the duration, which affected the level of interest. Due to the impact of 'Bail-in' legislation the Council would continue to diversify its investment portfolio.

During 2015/16, the Bank Rate remained at 0.5% however this had since reduced to 0.25% due to the weakened outlook following the Brexit vote. 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 0.93%, which compared favourably with the projected in the budget of 0.60%. The increase in the rate of return and the underspend on the capital programme had resulted in return on investments of £378,000 against the budget of £156,700.

In response to questions, the FSM explained that the loan to Newcastle City Council was made a couple of years ago and that the rate of 2.04% would now be unachievable. All investments were made in accordance with the Counterparty limits set by the Council's treasury advisors, Arlingclose Limited.

As in previous years, all Members of the Council would be invited to attend a training session delivered by Arlingclose Limited, prior to considering the Treasury Management Strategy in January 2017.

It was AGREED that the Corporate Governance Group endorse the Treasury Management Outturn 2015/16 report.

#### **15. Revenue and Capital Budget Monitoring 2016/17 - Quarter 1 Update**

The Group considered the report of the Executive Manager - Finance and Corporate Services that gave details and explanations of significant variances against the profiled budget to 30 June 2016.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £199,000, with a projected favourable variance of £227,000 for the year. He informed Members that the underspend reflected a number of positive variances which, included increased income from investment properties, the lack of current calls made on the contingency budget and additional income from the Green Waste scheme. There were also several negative variances, the main one being in relation to a fall in expected planning income, particularly due to a reduction in solar farm applications.

In respect of the Capital budget monitoring, the report indicated a net underspend of £1,191,000 to the end of June 2016, with a projected favourable variance of £3,538,000 for the year. The original Capital Programme of £18.7 million had been supplemented by a net brought forward of £9.2 million giving a revised total of £27.9 million. The Executive Manager - Finance and Corporate Services explained that this was an ambitious capital programme which would see the completion of two major redevelopment schemes, Bridgford Hall and the Arena. Therefore a Capital Contingency sum of £250,000 had been included to allow for flexibility in the overall programme.

The main key variations included £50,000 to address any health and safety enhancements to the Civic Centre prior to the move to the Arena, £659,000 underspend on Support for Registered Housing Providers, £373,000 for the vehicle replacement programme and £30,000 unallocated from the Communities Capital Programme. It was envisaged that the sum of £126,000 brought forward from the 2015/16 programme for Disabled Facilities Grants would be returned to Capital Contingency as it is unlikely to be needed. As the new loan for Nottinghamshire County Cricket Club would now be requested over three years instead of one lump sum, £1,800,000 would be carried forward to next year and. In addition, there had been no commitments against the £500,000 contained in the Asset Investment Strategy for the Funding Circle intended for loans to small businesses.

In response to questions, The Executive Manager - Finance and Corporate Services explained that the loss of income from Metropolitan Housing for the Tanker Services was due to the Council being unsuccessful in the tender process. The £90,000 contained in the Capital Programme for Rushcliffe School was in relation to refurbishment costs, as part of the joint agreement for the Leisure Centre.



It was AGREED that the Corporate Governance Group note the projected revenue and capital underspend positions for the year of £227,000 and £3,538,000 respectively.

## 16. Work Programme

The Group considered the report of the Executive Manager – Finance and Corporate Services that set out details of the proposed work programme for the municipal year 2016/17.

The Group AGREED the Work Programme as set out below, subject to the inclusion of further items relating to the Constitution on dates to be confirmed.

Date of Meeting	Item
1 December 2016	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2016/17</li> <li>• Health and Safety Interim Report</li> <li>• Risk Management Update</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Work Programme</li> </ul>
9 February 2017	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report 2016/17</li> <li>• Treasury Management Strategy 2017/18</li> <li>• Revenue and Capital Budget Monitoring</li> <li>• Certification of Grants and Returns – Annual Report 2015/16</li> <li>• Work Programme</li> </ul>
11 May 2017	<ul style="list-style-type: none"> <li>• External Audit Plan 2016/17</li> <li>• Internal Audit Progress Report 2016/17</li> <li>• Internal Audit Strategy 2017/18</li> <li>• Risk Management Update</li> <li>• Revenue &amp; Capital Budget Monitoring</li> <li>• Work Programme</li> </ul>

## 17. Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

It was RESOLVED that the public be excluded from the meeting for consideration of the following item of business pursuant to Regulation 4 (2) of the above Regulations on the grounds that it was likely that exempt information may be disclosed as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

## 18. Civic Centre

The Group received a presentation from the Chief Executive in respect of the progress of the sale of the Civic Centre and the due diligence that had been undertaken.

It was AGREED that the Corporate Governance Group endorse;

- a) the progress made in respect of the sale of the Civic Centre; and
- b) that Due Diligence had taken place.

The meeting closed at 8.20 pm.

**Action Sheet - Corporate Governance Group**  
**Thursday 8 September 2016**

Minute Number	Actions	Officer Responsible
11 Notes of the Previous Meeting	None	
12 Approval of the Statement of Accounts 2015/16 and External Auditor's Report To Those Charged With Governance 2015/16	None	
13 Review of Constitution 2016	a) prepare a report (including the historical and legal context) to enable the Group to consider a full review of the Constitution and schedule this into the Group's Work programme  b) provide a clean copy of the Constitution without "track changes", as part of the papers to Full Council	Monitoring Officer
14 Treasury Management Outturn 2015/16	None	
15 Revenue and Capital Budget Monitoring 2016/17 - Quarter 1 Update	None	
16 Work Programme	None	
17 Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012	None	
18 Civic Centre	None	