



Rushcliffe
Borough Council

When telephoning, please ask for: Constitutional Services
Direct dial 0115 914 8482
Email constitutional.services@rushcliffe.gov.uk

Our reference:
Your reference:
Date: 31 August 2016

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the **Corporate Governance Group** will be held on Thursday 8 September 2016 at **6.00 pm** in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely

Deputy Monitoring Officer

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Notes of the Meeting held on Tuesday 28 June 2016 (pages 1 - 10).
4. Approval of the Statement of Accounts 2015/16

The report of the Executive Manager - Finance and Corporate Services is attached (pages 11 - 19).

The Statement of Accounts (Appendix A) is attached as a separate document.

5. External Auditor's Report To Those Charged With Governance 2015/16

The report of the Executive Manager - Finance and Corporate Services will follow.

6. Review of Constitution 2016

The report of the Monitoring Officer is attached (pages 20 - 23).

The revised draft version of the Constitution is attached as a separate document (Appendix B)

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First Saturday of
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9am - 1pm

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7. Treasury Management Outturn 2015/16

The report of the Executive Manager - Finance and Corporate Services is attached (pages 24 - 31).

8. Revenue and Capital Budget Monitoring 2016/17 - Quarter 1 Update

The report of the Executive Manager - Finance and Corporate Services is attached (pages 32 - 38).

9. Work Programme

The report of the Executive Manager - Finance and Corporate Services is attached (pages 39 - 40).

Membership

Chairman: Councillor G S Moore

Vice-Chairman: Councillor A MacInnes

Councillors K P Beardsall, N A Brown, M Buckle, A M Dickinson, A J Edyvean, S J Hull and S C Matthews

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.



Rushcliffe
Borough Council

**NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
TUESDAY 28 JUNE 2016**

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

PRESENT:

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

ALSO IN ATTENDANCE:

A Ali RSM

OFFICERS PRESENT:

N Carter	Service Manager – Finance and Commercial
P Linfield	Executive Manager - Finance and Corporate Services
K Marriott	Executive Manager - Transformation and Operations
V Nightingale	Constitutional Services Officer
J Wilkinson	Health and Safety Advisor

APOLOGIES FOR ABSENCE:

There were no apologies for absence

1. Declarations of Interest

There were none declared.

2. Notes of the Previous Meeting

The Chairman welcomed the new members of the Group and his new Vice Chairman, Councillor MacInnes. It was noted that Councillor Davidson had stood down for the year, whilst he was the Mayor.

The notes of the meeting held on Thursday 21 April 2016 were accepted as a true record.

Members discussed the effectiveness of scrutiny in relation to the Council's 'paperlite' scheme. The Chairman had asked, at the last meeting, that Internal Audit analyse the level of scrutiny following the introduction of 'paperlite' to ensure that it remained at a good level. The Executive Manager - Transformation and Operations stated that the Group had also requested that it be put on the Council's Risk Register, in order that the reviewed. She said that the other Scrutiny Group's would be asked for their comments as well. Mr Ali stated that a large number of local authorities had moved to using electronic devices rather than paper and that despite initial hiccups most were continuing with the initiative. He confirmed that, as part of the Governance review, Internal Audit would be considering best practice and would report back. Following a question the Executive Manager - Transformation and Operations stated that the new Council Chamber would have power sockets

built into the floor to enable Members to recharge their devices during the meeting. There would also be audio visual equipment built in.

3. **Annual Governance Statement 2015/16**

The Executive Manager - Finance and Corporate Services presented the Annual Governance Statement for 2015/16. He stated that the Council was required to produce this document and by reviewing it the Corporate Governance Group scrutinised the Council's governance arrangements. Members were informed that there was a framework guidance set for the production of the Statement by CIPFA¹ and SOLACE² which the Council followed, however, as each authority was different there were elements of the Statement that were Rushcliffe specific. He said that this Statement would be published alongside the Council's Statement of Accounts and that both documents would be signed off by Council in September. It was recognised that the document was only a draft as the review of the accounts could have an impact on it. Members were assured that the document was also considered by the External Auditors.

The Group was that the Statement contained the three themes from the Council's new Corporate Strategy and that it outlined the financial challenges that the Council would be facing in the future. It was recognised that this would need to be amended following the result of the recent EU Referendum. The document outlined the £1.19 million shortfall up to 2020/21; and it outlined the transformation programme that would deliver service efficiencies. Other elements of the Statement focussed on training, communication, the statutory roles and the review of the Council's effectiveness. Following a comment it was agreed that each scrutiny group should have its own statement.

The Executive Manager - Finance and Corporate Services stated that Section 4 was very important as this outlined the significant governance issues. He said that the External Auditors had pointed out the risks during the year including comments on value for money.

Finally, Members were informed that the Statement was signed off by both the Leader and the Chief Executive.

Members queried the inclusion of a Combined Authority in the document and asked if this was still relevant following the result of the EU referendum, as one of the benefits had been that authorities would be able to access significant funding streams through the EU. The Executive Manager - Transformation and Operations stated that there had been clear views expressed by Cabinet and Council and there had been no change. She said that the Nottinghamshire Leaders were holding meetings, and there was a possible meeting of Nottinghamshire and Derbyshire Leaders in July. She explained that the devolution deal was more than just accessing EU funding and was about the skills agenda, education, transport, early years and the Department of Works and Pension. Members agreed that it should still be included in the document until more information was known.

¹ CIPFA = Chartered Institute for Public Finance and Accountancy

² SOLACE = Society of Local Authority Chief Executives

Following a question regarding the possible pension shortfall, the Executive Manager - Finance and Corporate Services agreed to include a reference to Local Government Pension Scheme although it was recognised that this was a national issue.

Members queried the collaborative arrangements and were informed that the Council had signed up to a tripartite agreement and that Gedling Borough Council and Newark and Sherwood District Council were the Council's first choice to collaborate but this did not preclude the Council from making other agreements.

AGREED that the Corporate Governance Group had reviewed and approved the 2015/16 Annual Governance Statement as attached as Appendix A to the report.

4. Internal Audit Annual Report 2015/16

The Executive Manager - Finance and Corporate Services presented the Internal Audit's Annual Report for 2015/16. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, which services were provided by RSM, had to provide an annual opinion and the Executive Manager - Finance and Corporate Services was pleased to inform Members that the Council had received an adequate and effective framework for risk management, governance and internal control, which was the highest level of the four opinion options available. 17 reviews had been undertaken and awarded a rating based on the 'Red, Amber, Green' system with each receiving a 'green' assurance.

Mr Ali explained that RSM was one of the largest providers of Internal Audits for the private sector. He explained that the company met with managers to pull together an audit plan, which is then approved by the Corporate Governance Group. Each audit is carried out and progress reported to the Group throughout the year. Members were informed of the two final audits undertaken for 2015/16, these were for Payroll and Monitoring of Exception Reports. Members were informed that a positive opinion had been given for both. Managers had been presented with the actions and had agreed implementation dates. It was noted that the action to remind staff and Members in respect of gifts and hospitality had not yet been completed and would be considered until it was fully implemented. Following questions, Members were informed that articles had been included in both Staff and Members' Matters and that the policy was contained in the Constitution.

In conclusion, Mr Ali stated that the Council had received a good opinion and was in the top 10%. The Executive Manager - Finance and Corporate Services stated that it had been a challenging year and that it reflected well on the Council that it had still received a good rating. Councillor Moore commended the staff for their hard work.

AGREED that the Corporate Governance Group noted the Internal Audit's final Progress Report in relation to 2015/16.

5. Health and Safety Annual Report 2015/16

The Executive Manager - Transformation and Operations introduced the Annual Health and Safety Report that set out the Council's occupational health and safety performance for 2015/16. She explained that the full report was available on the Internet and on the Members' Extranet and that Members would receive a presentation on the salient points. The Group was informed that the report did not include any statistics regarding the leisure centres as these were scrutinised by the Performance Management Board.

The Health and Safety Advisor gave a presentation which outlined the progress made against the goals set, training, accidents by number and type, injuries and the number of days lost to the Authority and the objectives for 2016/17.

She explained that the Council was working towards the bronze award for the Workplace Health Scheme. Members were informed that this had been launched in July 2015 and a number of initiatives had been undertaken, these included 'Know your number' about blood pressure, bmi, weight etc, to a fun stair challenge which monitored the number of stairs climbed by individuals and compared this to well recognised buildings and mountains, ie Mount Everest, Sydney Harbour Bridge, Empire State Building. Training had been held for the Health Champions on smoking cessation and mental health awareness. The Health and Safety Advisor explained that all the information would be collated in July and sent for examination, she was hopeful that the result would be known in July.

Other goals had included reviewing the next three priority policies and the development of a Workplace Substance Misuse (Drugs and Alcohol) policy which had gone live on 1 June 2016. Following a question, Members were informed that training had been provided for people to undertake the tests, which were similar to those undertaken by the Police. It was also noted that the driving limits were being used as the standard. Members were informed that safety critical roles had been identified and that random testing would be carried out monthly on operatives of these roles, officers using their own vehicles would also be tested but not as frequently, and finally any member of staff could be tested if there was a 'with cause' expression from a manager. Members welcomed the introduction of the policy as they felt that it would increase the safety of the Council's officers.

With regard to accidents the Health and Safety Advisor stated that the number of incidents was comparable to 2014/15 and lower than previous years. It was noted that, due to the mild winter, there had been fewer slips and trips incidents. The Group was informed that there had been the highest number of days lost due to accidents, however, this statistic did fluctuate; Members were informed that there were, on average, 129 days lost. Members queried the number of staff affected and was informed that there were nine staff injured and that there had been a raft of injuries. The Health and Safety Executive were informed of all accidents as required by RIDDOR, including what had been put in place to reduce the risk, and had not investigated any.

In respect of accidents to members of the public Members noted that there had been 22 incidents at Rushcliffe Country Park, officers explained that these

were mainly due to bike and scooter accidents. Following a question, officers stated that the Council had not been sued for compensation, however, she explained the timescales involved. The Executive Manager - Transformation and Operations explained that all staff at the Country Park were first aid trained and that the equipment was well maintained and inspected. Also as the Country Park was staffed, unlike other parks, this made it easier for incidents to be reported. Members queried the number of accidents at leisure centres and the Health and Safety Advisor stated that this was part of the scrutiny by the Performance Management Board, however, there was approximately 416 accidents which was deemed to be average; although when compared to the number of public attending it was low. Members asked for the Edwalton Golf Courses accidents to be included in the data; officers agreed that this would be included in future reports.

In conclusion, the Health and Safety Advisor highlighted the objectives for 2016/17 including reviewing and updating the Noise at Work policy, audit Streetwise on two of its high risk areas, providing health and safety advice on the move to the new offices and submitting the portfolio for the bronze award for the Workplace Health Scheme.

AGREED that the Corporate Governance Group:

- a) had considered the detailed information contained within the Annual Health and Safety Report,
- b) had noted the significant progress made against the health and safety goals and objectives previously agreed by the Group for the financial year 2015/16; and
- c) endorsed the proposed health and safety objectives for 2016/17 as set out in the report.

6. Review of the Constitution 2016

The Service Manager – Finance and Commercial presented a report outlining the proposed changes to the Council's Constitution. He explained that it had been decided to have a light touch review to ensure that the Constitution was brought up to date with legislative changes and was aligned to the present Corporate Structure.

The Service Manager – Finance and Commercial gave a presentation which outlined the changes to the document and the timescale for approval. He stated that Part 1 gave a summary and explanation of the Council and this had been amended to reflect the change to the number of Councillors. Part 2 contained the Articles of the Constitution. There were no proposed changes to Articles 1, 5, 6, 10 and 15. Article 2 was again amended to reflect the number of Councillors and the number of Wards. It was also proposed to update the key roles of Councillors to include their community leadership and advocacy responsibility. Minor amendments had been proposed to Articles 3 and 4, for example the Community Strategy had been changed to Corporate Strategy and Local Development Plan Documents had been amended to Local Plan Documents.

Members were informed that Article 7 had been updated to reflect the current Cabinet structure. Members pointed out that Business Continuity had been deleted from the list of responsibilities and asked that this be included as it was felt to be extremely important to the running of the Council. Officers agreed to ensure that this was not removed. The Service Manager – Finance and Commercial explained that Article 8 had been amended to update job titles and to reflect the current structure. The section on the Local Development Framework Group had been amended to reflect its work following the adoption of the Local Plan Part 1. Article 9 had been changed to include the addition of associated legislation. Members stated that Article 9 had not been included in the appendix to the report.

The Group was informed that Article 11 had been amended to include appointments to joint committees. It was acknowledged that the Council could enter into arrangements in the future on issues such as health or the devolution deal and therefore it was prudent to future proof the Constitution. Members queried the second bullet point of 11.3 as it was felt that Council did not require Cabinet's agreement. Article 12 had been amended to reflect the current structure and to clarify the roles of the Chief Executive, S151 Officer and the Monitoring Officer. Officers' role in supporting decision making had been included in Article 13. Article 14 had been amended with regard to the sealing of documents, it was felt that the current arrangements were not always practical and that this would make the process more streamlined. Article 16 was amended to show that electronic versions of the document would be provided and not paper copies. Following a question, it was confirmed that the Constitution would be included on the Council's website, as it already was.

With regard to Part 3 of the Constitution Members were informed that amendments had been made to reflect the Council's current structure and to update the areas of responsibilities for the Executive Managers. The Service Manager – Finance and Commercial informed the Group that Table 1 of Appendix 2 which related to the convictions of hackney carriage or public hire drivers would be amended following its consideration of the issue by Council on 30 June 2016.

With reference to Part 4 Members were informed that this had been amended

- to include the statutory officers in respect of a call for an extraordinary meeting
- to update the petitions scheme to delete the statutory scheme which had first been introduced in 2009 but removed in the 2011 legislation
- to amend the financial regulations in relation to contracts and submitting tenders
- update the financial regulations to reflect the current structure, and
- officer employment, as agreed at Council in June 2015.

Following questions, the Service Manager – Finance and Commercial stated that there had been three petition schemes and that this had been reduced to one, also the tender process had needed to be updated to allow for electronic tendering.

Members discussed the use of first class travel by officers and Members and how its use should be defined in the Constitution. Officers explained that this had been part of the discussions by the Independent Remuneration Panel and would be included in the next budget workshops. Members felt that the cost between 1st class and 2nd class travel should be met by the individual. Officers agreed to investigate the use of 1st class travel.

The Group discussed the possibility of allowing members of the public to speak at Council and Development Control Committee meetings. It was acknowledged that the majority of parish councils and Nottinghamshire County Council already had public speaking opportunities. Members believed that the public felt marginalised because they could not address Councillors in a meeting and therefore were disengaged with the Council. The Group felt that, by allowing public speaking, it would make the system more transparent. With regards to transparency it was also pointed out that some Members were unaware of discussions at Member Groups and that these should be included on the Members' Extranet.

Members felt that the Constitution was an important document and that officers should reconsider the document as a whole and ensure that there was a consistent approach. Members gave examples of inconsistencies such as capitalisation, typographical errors, job titles and page numbering. Also references to the Audit Commission were still included although they no longer existed. Members requested that the document should have a comprehensive index and that, as it would be placed on the Council's website, it should be bookmarked.

Members felt that they could not support the recommendation as they did not feel that a light touch approach was appropriate. Members requested that officers should reconsider the document and present it back to the Group at its meeting on 8 September before it was presented to Cabinet or Council. It was important that the Group saw a final draft and that there were not areas of doubt. This was an important task for the Group and therefore to validate their integrity they could not support the Constitution in its present state.

7. Future External Audit Procurement

The Executive Manager - Finance and Corporate Services explained to the Group that following the closure of the Audit Commission, through the Local Audit and Accountability Act 2014, transitional arrangements had been in place for the appointment of external auditors. Subsequently the Secretary of State had extended these arrangements to include the audit of the accounts for 2017/18. He explained that when these arrangements came to an end on 31 March 2018 there were three options available to the Council. These were:

- Stand Alone Appointment
- Joint Auditor Panel
- Sector Led Body

Members were informed that the stand alone appointment would probably incur the most costs and that it could be difficult to appoint a number of suitable independent people; the joint auditor panel would be with other local

authorities and this was being examined by other officers; however, the Executive Manager - Finance and Corporate Services stated that he was recommending that the Council opted for a Sector Led Body. He stated that the Local Government Association was working on developing a Sector Led Body and that the Council had been asked to submit a non-binding expression of interest.

Following a question, the Executive Manager - Finance and Corporate Services stated that the costs were an unknown quantity at the moment, however, Rushcliffe was a low risk authority and he would expect the fees to reflect this.

The Group was happy to support the recommendation as recommendation (a) was only an expression of interest and that it still allowed for flexibility.

AGREED that Members supported the proposals:

- a) To submit a non-binding expression of interest in opting-in to the Local Government Association (LGA) Sector Led Body (SLB) approach to the procurement of future external audit contracts; and
- b) To recommend to Full Council to opt-in to the LGA's SLB approach to the procurement of future external audit contracts.

8. Corporate Governance Group Annual Report 2015/16

The Chairman presented the Group's Annual Report for 2015/16. He felt that this had been a difficult year for the Group and the Council with the loss of two of the senior management team. He thanked the Executive Manager - Finance and Corporate Services and his staff for their professional and excellent work. He said that the Annual Report reflected the Group's hard work during the year.

The Executive Manager - Finance and Corporate Services said that the Report was a useful reference document for new members of the Group and it highlighted the standard items and the one-off issues that are considered by the Group.

AGREED that the Corporate Governance Group approves the report and forwards it on to Council for consideration.

9. Work Programme

The Group considered, and agreed, its work programme. It was noted that, at the meeting on 8 September, Members would consider a number of issues, including the Statement of Accounts, Treasury Management Outturn and the Constitution.

Following a question Members were informed that the Treasury Management training would be later in the year, possibly in December. It was agreed that this was an excellent presentation and that all Members of the Corporate Governance Group should attend, although it was open to all Members.

AGREED that the Group agrees the work programme as set out in the report.

The meeting closed at 9.30 pm.

Action Sheet

CORPORATE GOVERNANCE GROUP - TUESDAY 28 JUNE 2016

Minute Number	Actions	Officer Responsible
3. Annual Governance Statement 2015/16	A reference to the Local Government Pension Scheme be included in the Statement	Executive Manager - Finance and Corporate Services
5. Health and Safety Annual Report 2015/16	The number of accidents at Edwalton Golf Courses to be included in future reports.	Health and Safety Advisor
6. Review of the Constitution 2016	<ul style="list-style-type: none"> a) Business Continuity to be included in the list of responsibilities for Cabinet members b) Table 1 of Appendix 2 to be updated following the Council meeting on 30 June 2016 c) Officers to investigate the use of 1st class travel d) Typographical errors, job titles and page numbering be amended e) A comprehensive index be included in the document, and it be bookmarked for the internet f) Be referred back to the Group in September. 	Service Manager – Finance and Commercial
9. Work Programme	<ul style="list-style-type: none"> a) Include the review of the Constitution for the meeting on 8 September 2016; b) Change the item to Treasury Management Outturn c) Officers to arrange the Treasury Management Training. 	Constitutional Services Constitutional Services Executive Manager - Finance and Corporate Services

Responses

Minute Number	Actions	Officer Responsible	Response
3. Annual Governance Statement 2015/16	A reference to the Local Government Pension Scheme be included in the Statement	Executive Manager - Finance and Corporate Services	Completed
5. Health and Safety Annual Report 2015/16	The number of accidents at Edwalton Golf Courses to be included in future reports.	Health and Safety Advisor	Will be included in future reports
6. Review of the Constitution 2016	<ul style="list-style-type: none"> a) Business Continuity to be included in the list of responsibilities for Cabinet members b) Table 1 of Appendix 2 to be updated following the Council meeting on 30 June 2016 c) Officers to investigate the use of 1st class travel d) Typographical errors, job titles and page numbering be amended e) A comprehensive index be included in the document, and it be bookmarked for the internet f) Be referred back to the Group in September. 	Service Manager – Finance and Commercial	Changes are contained in the Review of the Constitution 2016 report included on the Agenda for this meeting.
9. Work Programme	<ul style="list-style-type: none"> a) Include the review of the Constitution for the meeting on 8 September 2016; b) Change the item to Treasury Management Outturn c) Officers to arrange the Treasury Management Training. 	<p>Constitutional Services</p> <p>Executive Manager - Finance and Corporate Services</p>	<p>Completed</p> <p>Training will be held in early December, the date to be finalised.</p>

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1 This report presents the Council's statutory Statement of Accounts (**Appendix A**) for the financial year 2015/16 for consideration prior to their submission to Full Council.
- 1.2 The Council's external auditors have commented on the Statement of Accounts and their quality in their covering report (the next item on this agenda).

2 Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) Accepts the Statement of Accounts for 2015/16 (**Appendix A**) and recommends it to Full Council for approval; and
- b) Agrees the Draft Management Representation letter (**Appendix B**).

3 Reasons for Recommendation

- 3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and various legislation such as the Accounts and Audit Regulations (2011); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

- 4.1 The accounts for Local Authorities are 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).
- 4.2 The Statement of Accounts 2015/16 at **Appendix A** is included as a separate document. Members will recall in recent years' concerns raised by the auditors regarding the closure of accounts process much of which have been addressed in recent years. Pleasingly the positive direction of travel has continued with the accounts being closed earlier, allowing for better quality assurance, and no diminution in the quality of working papers presented for audit.
- 4.3 The Council's external auditors comment on the quality of the financial statements in the next item on this agenda.

4.4 The closure of accounts process is complex, pleasingly no significant issues have arisen from the audit this year.

4.5 **Appendix B** details the draft management representation letter which confirms for the auditors that the Corporate Governance Group is satisfied with the validity of the financial statements provided by the Authority to KPMG. If agreed this letter will be signed at the conclusion of the full Council meeting.

5 Risk and Uncertainties

5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

6 Implications

6.1 Finance

None

6.2 Legal

None

6.3 Corporate Priorities

Not applicable

6.4 Other Implications

None

For more information contact:	Name: Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A – Statement of Accounts 2015/16 Appendix B – Draft Management Representation Letter

Draft Management Representation Letter

(Letterhead of Client)

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

[Date]

Dear Mr Bush

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (“the Authority”), for the year ended 31 March 2016, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority’s and the Group’s expenditure and income for the year then ended;
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority’s and the Group’s expenditure and income for the year then ended;
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design,

implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
11. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Corporate Governance Group on 8 September 2016 and approved by full council on 22 September 2016.

Yours sincerely,

Councillor George Davidson
Mayor of Rushcliffe Borough Council

Peter Linfield
Executive Manager – Finance and Corporate Services

Appendix to the Authority Representation Letter of Rushcliffe Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Report of the Monitoring Officer

1. Summary

- 1.1 The Monitoring Officer is responsible for ensuring that the Constitution is maintained. There have been significant legislative changes that have been accounted for in the revisions that are attached. In addition changes have been incorporated in order to clarify responsibilities for functions and ensure that the wording reflects the structure of the Council.
- 1.2 The Corporate Governance Group at its meeting on 28 June 2016 considered a first draft of the document. The Group's observations and proposed changes are detailed in this report and comments in respect of formatting, typographical and factual changes have been reflected in a revised draft.
- 1.3 The Corporate Governance Group has requested that they have a further opportunity to consider a final draft at its meeting on 8 September 2016. It is anticipated, subject to Cabinet's support on 11 October 2016, that the final version will be submitted for approval to Full Council on 8 December 2016.

2. Recommendations

- 2.1 That the Constitution as amended be RECOMMENDED to Cabinet for consideration.

3. Review of the Constitution

- 3.1 The Council's Constitution is largely fit for purpose. A light touch review of the Constitution has taken place in order to ensure its provisions are in line with both legislation and the structure of the Authority.
- 3.2 A root and branch review of the Constitution requires a significant time input from both Members and officers that is not presently available owing to other outward facing corporate projects that are currently underway.
- 3.3 Changes that have been necessary include provisions to bring the Constitution in to line with the changes brought about through The Localism Act 2011 that removed the Statutory Petition Scheme that had previously been introduced by the Local Democracy, Economic Development and Construction Act 2009. The Constitution has been amended in order to reflect this change in law.
- 3.4 **Appendix A** summarises the original proposed changes considered by the Corporate Governance Group and Members have an electronic copy of the full document with the tracked changes in order to enable them to consider this matter.

3.5 The Corporate Governance Group at its meeting on 28 June 2016 considered and a first draft of the document. The Group’s observations and proposed changes were summarised in the previous report, along with commentary. Comments in respect of formatting, typographical and factual changes have been reflected in a revised draft version of the Constitution, attached as a separate document (**Appendix B**).

4. Reasons for the Recommendation

4.1 To comply with relevant legislation and ensure that the Constitution reflects both the law as it stands presently and the structure of the Authority.

5. Implications

5.1. Finance

The Constitution and in particular the finance regulations underpin the good financial governance of the Authority. There are no direct financial implications arising from the report.

5.2. Legal

The Constitution underpins and provides authority for the governance arrangements of the Council and it is essential that it is maintained so as to provide this framework.

5.3. Corporate Priorities

The Constitution enables delivery of the Corporate Priorities.

5.4. Other Implications

None.

<p>For more information contact:</p>	<p>Name Phillip Horsfield Monitoring Officer 0115 314 8332 Email phorsfield@rushcliffe.gov.uk</p> <p>Name Nigel Carter Deputy Monitoring Officer 0115 914 8340 email ncarter@rushcliffe.gov.uk</p>
<p>Background papers Available for Inspection:</p>	

APPENDIX A

Section	Reference	Description of proposed change
Part 1 – Summary and explanation	How the Council operates	Factual amendment to reflect change in number of Councillors.
Part 2 – Articles of the Constitution	Article 1	No change
	Article 2 Members of the Council	Proposed minor amendments to reflect current Council structure and practices. Para 2.3 Insert – represents their communities and bring their values into the Council's decision-making process, i.e. become advocates of and for their communities Page 8 – Knowledge – delete - basic understanding of local government finances and audit processes
	Article 3 Citizens and the Council	Proposed minor amendments to reflect current Council structure and practices. (b) Citizens have a right to: Insert – (v) register and vote; and (vi) respond to consultations.
	Article 4 The Full Council	Proposed minor amendments to reflect current Council structure.
	Article 5 Chairing the Council	No change
	Article 6 Scrutiny Committees	No change
	Article 7 Cabinet	Proposed minor amendments to reflect current Council structure and revised remit of Cabinet portfolio holders.
	Article 8 Regulatory and other Committees and Member Groups	Proposed minor amendments to reflect current Council structure. In addition the remit of the Employment Appeals Committee has been amended to include absence and the Local Development Framework Group remit has been updated.
	Article 9 The Standards Committee	9.1 – Insert – and associated legislation.
	Article 10	No change
	Article 11 Joint Arrangements	Procedure for appointments to Joint Committees clarified. Insert 11.3 - Appointments to joint committees will be made by: <ul style="list-style-type: none"> • The Council, where all the functions of the joint committee are the responsibility of the Council • The Council with the agreement of the Cabinet, where some of the functions of the joint committee are the responsibility of the Council and some are the responsibility of the Cabinet • The Cabinet, where all of the functions of the joint committee are the responsibility of the Cabinet.
	Article 12 Officers	Proposed minor amendments to reflect current Council structure and practices.
	Article 13 Decision	Proposed minor amendments to reflect current Council structure and practices. Plus Increased clarity with regard

	Making	to Chief Executive's role in support of decision making. Insert 13.9 - Officers' role in support of decision-making The Chief Executive will have primary responsibility for ensuring that all decisions taken by the Council, the Cabinet or any other Council body are taken according to a proper process and full consideration of all relevant facts and circumstances
	Article 14 Finance, contracts and legal matters	Proposed minor amendments to reflect current Council structure and practices, including amendment to the authorisation of the official seal for contracts.
	Article 15	No change
	Article 16	No change
Part 3 – Responsibility and Functions	Throughout Part 3	Proposed minor amendments to reflect current Council structure and practices.
Part 4 – Rules of Procedure	10.6 – 10.14 21.1 – 21.7	Proposed removal of the provision for a statutory petition scheme.
	Throughout Part 4	Minor amendments to reflect current Council structure and practices.
	Standing Orders relating to contracts	Proposed amendments to update and clarify procedures and requirements in relations to contracts. Some proposed increases to financial thresholds to bring into line with current prices.
	Officer Employment	Update of provisions relating to officer recruitment, employment and dismissal in accordance with scheme as agreed by Full Council June 2015.
Part 5 – Codes and Protocols	Throughout Part 5	Minor amendments to reflect current Council structure and practices.
	RBC's Petition Scheme	Amendments to reflect removal of a national petition scheme.
	Corporate Information Security Access Policies	Proposed strengthening of corporate information security access policies to reflect current legislative and best practice requirements.
Part 6 – Members Allowances Scheme		Updated to reflect legislative changes and approved recommendations of the independent review panel and reaffirmed by Full Council March 2015.

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1 The purpose of this report is to summarise the transactions undertaken during the 2015/16 financial year as part of the Treasury Management function.
- 1.2 In addition the Corporate Governance Group received the half-yearly treasury management update report on 3 December 2015 and a training session from the Council's treasury advisors, Arlingclose, which was well received by Members across the Council.

2. Recommendations

- 2.1 It is recommended that the report be agreed by the Corporate Governance Group.

3 Reasons for Recommendation

- 3.1 This Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Finance in Local Authorities (the Prudential Code).

4 Supporting Information

Prudential Indicators

- 4.1 During 2015/16 the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year are as follows:

Prudential and treasury indicators	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Actual £000
Capital expenditure	3,332	9,047	7,050
Total Capital Financing Requirement	(505)	5,481	(505)
Investments	(34,348)	(24,500)	(34,921)
External Debt	0	0	0
Net Borrowing	(34,348)	(24,500)	(34,921)

- 4.2 The approved capital programme for 2015/16 was £16.35 million. Actual expenditure against the approved programme was £7.05 million with carry

forwards of £9.651 million approved by Cabinet on 12 July 2016. Budget totalling £428,000 was transferred from 2016/17 to 2015/16 due to the acceleration of the Vehicle Replacement Programme and there were savings totalling £75,000. Consequently there was no need to borrow and hence no change in the Capital Financing Requirement (CFR) – paragraph 4.9 refers.

Capital Expenditure and Financing

4.3 The Council undertakes capital expenditure on both its own long-term assets and on grants that can be capitalised under statute (capital payments to third parties). These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc) which has no resulting impact upon the Council's borrowing need; or
- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

4.4 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed:

	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Actual £000
Total Capital Expenditure	3,332	16,348	7,050
Financed by:			
Capital Receipts	(1,504)	(3,948)	(2,429)
Capital Grants	(1,009)	(1,393)	(701)
Reserves	(819)	(5,021)	(3,920)
Total Resources used to finance Capital Expenditure	(3,332)	(10,362)	(7,050)
Unfinanced Capital Expenditure	0	5,986	0

The Council's Overall Borrowing Need

4.5 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Required (CFR). This figure is a gauge of the Council's debt position and represents the net capital expenditure in 2015/16 and prior years that has not yet been paid for by revenue or other resources.

4.6 Part of the Council's treasury management activity is to organise the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be through utilising temporary cash resources within the Council or sourced through borrowing from external bodies, for example, the Public Works Loan Board (PWLb).

4.7 Whilst borrowing can be undertaken within the confines of the treasury management strategy, the Council's underlying borrowing need, CFR, is not allowed to rise indefinitely. The Council would be required by statute to make an annual charge called the Minimum Revenue Provision (MRP) to reduce the

CFR if it was positive which is effectively a repayment of the borrowing need. For 2015/16, the MRP is nil and the CFR remained static at (£505,000).

4.8 The total CFR can be reduced by:

- The application of additional resources (such as unapplied capital receipts); or
- Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision (VRP).

4.9 The Council's CFR for 2015/16 represents a key prudential indicator and is shown below. The table shows that the Council has a negative CFR so therefore has no underlying need to borrow based on its current approved Capital Programme.

Capital Financing Requirement (CFR)	2014/15 Actual £000	2015/16 Actual £000
Opening Balance	(505)	(505)
Add: unfinanced Capital Expenditure (per above)	0	0
Less: MRP/VRP	0	0
Closing Balance	(505)	(505)

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR and by the authorised limit.

Net Borrowing and the CFR

4.10 In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. The Council needs to ensure that its net borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional increases to the CFR for the current and the following two financial years. This indicator allows the Council some flexibility for limited borrowing in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR.

	2014/15 Actual £000	2015/16 Actual £000
Net Borrowing Position	(34,348)	(31,921)
CFR	(505)	(505)

Authorised Limit and Operational Boundary for External Debt

4.11 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 cover temporary cash flow shortfalls. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

- 4.12 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 over the boundary subject to the authorised limit not being breached.

	Operational Boundary 31 March 2016 £000	Authorised Limit 31 March 2016 £000	Actual External Debt 31 March 2016 £000
Borrowing	17,000	22,000	0
Other Long-Term Liabilities	0	0	0
Total	17,000	22,000	0

The Ratio of Financing Costs to Net Revenue Streams

- 4.13 This compares net financing costs (borrowing costs less investment income) to net revenue income. This indicator shows how the proportion of net income used to pay for financing costs is changing over time and is negative as a result of investment yields exceeding borrowing costs.

	2014/15 Actual	2015/16 Estimate	2015/16 Actual
General Fund	-3.88%	-1.42%	-4.01%

Incremental Impact of Capital Investment Decisions

- 4.14 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.

	2014/15 Actual £	2015/16 Estimate £	2015/16 Actual £
Increase in Council Tax – Band D	0.46	1.74	1.87

Upper Limits for Fixed and Variable Rate Exposure

- 4.15 The purpose of these indicators is to allow the Council to manage the extent to which it is exposed to changes in interest rates:

	2015/16 Limit	2015/16 Actual
Fixed		
Upper Limit for Fixed Interest Rate Exposure on Debt	100%	0
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25%	8.59%
Upper Limit for Fixed Interest Rate Exposure on Investments up to 1 year	100%	11.45%
Variable		
Upper limit for Variable Interest Rate Exposure on Debt	100%	0%
Upper Limit for Variable Interest Rate Exposure on Investments	100%	79.96%

Upper Limit for Total Principal Sums invested over 1 year

- 4.16 This limit is intended to contain the 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 had to be repaid before its natural maturity date due to cash flow requirements then, if market conditions were unfavourable, there would be an adverse impact on the Council.

	2015/16 Estimate £000	2015/16 Actual £000
Upper Limit for Total Principal Sums Invested over 364 days	6,125	3,000

Treasury Position at 31 March 2016

- 4.17 The Council's debt and investment position is managed by the treasury team in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities in line with the approved treasury strategy. Procedures and controls to achieve these objectives are established through the Member reporting detailed in paragraph 3 of the treasury strategy and through officer activity detailed in the Council's Treasury Management Practices. The following table details the Counterparties that the Council had placed investments with at the end of 2015/16.

Financial Institution	Amount	Length of Investment	Interest Rate
CCLA Property Fund	£2,000,000	Ongoing	4.82%
Royal London Cash Plus Fund	£1,000,000	Ongoing	0.53%
Funding Circle	£30,100	Ongoing	0%
Newcastle City Council	£3,000,000	4 years	2.04%
Bank of Scotland Covered Bond	1,039,144	16 months	0.92%
Standard Chartered	£2,000,000	6 months	0.78%
Standard Chartered	£2,000,000	6 months	0.74%
BlackRock	£45,898	Call	0.47%
CCLA	£734,270	Call	0.49%
Goldman Sachs	£40,228	Call	0.408%
HSBC	£192,873	Call	0.25%
Invesco	£4,174,592	Call	0.50%
Standard Life	£4,948,173	Call	0.487%
Bank of Scotland	£2,010,178	32 day notice account	0.57%
Barclays	£4,990,219	35 day notice account	0.507%
Santander	£84,967	Call	0.40%
Santander	£3,000,000	31 day notice account	0.65%
Santander	£800,000	60 day notice account	0.75%
Handelsbanken	£2,815,598	35 day notice account	0.55%
Residual MMF/Call Account balances eg Aviva, Bank of Scotland etc	£15,135	Call	0.298% to 0.40%
Total Investments /Average Interest Rate	£34,921,375		0.93%

The strategy for 2015/16

4.18 The expectation for interest rates within the strategy for 2015/16 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 which did not materialise. The Council continued with the prudent investment of the 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 resulted in restrictions remaining on which counterparties investments could be placed with and the duration they could be placed for, which affected the level of interest that could be achieved from investments. Given the impact of 'Bail-in' legislation the Council is continuing to diversify its investment portfolio.

Investment Rates and Outturn Position in 2015/16

4.19 The Bank Rate remained at 0.5% throughout the year; it had remained unchanged for seven years but has now reduced to 0.25% due to the weakened outlook following the Brexit vote and short term money market rates also remained at very low levels which continued to have a significant impact on investment income. Whilst the Council continues to ensure investments are secure the Council is proactively looking to maximise its rate of return. The overall rate of return on investments for the year was 0.93% which compares favourably with the budgeted rate of 0.60%. Both the increase in the rate of return and the underspend on the capital programme has resulted in return on investments of £378,000 against a budget of £156,700.

4.20 The Council's investment policy is governed by the annual investment strategy approved by Council on 5 March 2015. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, for example, rating outlooks and credit default swaps information. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

4.21 The Council's longer term cash balances comprise primarily of revenue and capital resources, although these will be influenced by cash flow considerations and the need for working balances and contingencies. The Council's core cash resources are detailed in the following table and confirm that whilst the Council has delivered a capital programme and has to operate with an increasingly constrained revenue budget, its reserves and balances remain in a healthy position given the on-going financial challenges going forward.

Balance Sheet Resources	31 March 2015 £000	31 March 2016 £000
General Fund Balance	2,604	2,604
Earmarked Reserves	11,457	9,540
Provisions	100	31
Usable Capital Receipts	11,797	9,773
Capital Grants Unapplied	273	42
Total	26,231	21,990

Conclusion

4.22 Treasury Management continues to be a difficult area with risks heightened as a result of BREXIT. Officers will continue to be vigilant and report any significant issues to this Committee. Overall the Council has successfully achieved its objectives of ensuring investments were held with relatively secure counterparties; ensuring there was sufficient liquidity to operate efficiently and enable the delivery of objectives; and achieve the maximum yield on investment returns possible within the constraints placed upon the Council.

5 Other Options Considered

5.1 There are no other options.

6 Risk and Uncertainties

6.1 The report covers many treasury risks including counterparty and interest rate risk.

7 Implications

7.1 Finance

Financial implications are covered in the body of the report.

7.2 Legal

Compliance with the Local Government Act 2003.

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 Executive Manager – Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Statement of Accounts 2015/16; Treasury Management Strategy 2015/16; Treasury Management 6 Month Monitoring Report 2015/16
List of appendices (if any):	Glossary of Terms

Glossary of Terms

Money Market Funds – these funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks.

CCLA Property Fund - this a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

Covered Bonds – these investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.

Pooled Funds – shares in diversified investment vehicles consisting of different investment types including banks, equity shares and property, these funds have the advantage of providing wide diversification of investment risks

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1. This report presents the budget position for revenue and capital as at 30 June 2016 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

It is RECOMMENDED that the Corporate Governance Group note the projected revenue and capital budget positions for the year of £227k and £3,538k, respectively, in efficiency savings.

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 Evidence

Revenue Monitoring

- 4.1 The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 June 2016 attached at **Appendix B**. This shows an underspend against profiled budget to date of £199,000 and a projected efficiency saving for the year of £227,000. It is anticipated that this will continue to improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.
- 4.2 As documented at **Appendix B** the financial position to date reflects a number of positive variances including employee cost savings; increased income from investment properties; the lack of current calls made on the contingency budget; and additional green waste income. There are several negative variance, the main one being in relation to a fall in expected planning income, particularly due to a reduction in solar farm applications.

Capital Monitoring

- 4.4 The updated Capital Programme monitoring statement as at June 2016 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below:-

CAPITAL PROGRAMME MONITORING - JUNE 2016

EXPENDITURE SUMMARY	Current Budget £000	Projected Actual £000	Projected Variance £000
Transformation	11,034	10,984	(50)
Neighbourhoods	1,919	761	(1,158)
Communities	327	297	(30)
Finance & Corporate Services	14,435	12,135	(2,300)
Contingency	250	250	0
	27,965	24,427	(3,538)
FINANCING ANALYSIS			
Capital Receipts	(4,538)	(2,922)	1,616
Government Grants	(4,776)	(4,776)	0
Other Grants/Contributions	(1,403)	(1,281)	122
Use of Reserves	(2,517)	(2,517)	0
Internal Borrowing	(14,731)	(12,931)	1,800
	(27,965)	(24,427)	3,538
NET EXPENDITURE	-	-	-

4.5 The projected outturn on the capital programme remains lower than the budget, with a £3.538m underspend for a number of reasons as detailed below. The original Capital Programme of £18.7 million has been supplemented by a net brought forward of £9.2 million giving a revised total of £27.9 million. This is an ambitious capital programme which will see the completion of two major redevelopment scheme; Bridgford Hall and the Arena. A Capital Contingency sum of £250,000 has been included to allow for flexibility in the overall programme.

4.6 Transformation

The projected actual of £10.9 million will continue to be refined as the cost commitments and profiling of works associated with Cotgrave Masterplan become clearer. The acquisition of strategic properties in Cotgrave will continue and works will commence on the Multi-service Centre and Employment Land. Significant grant support has been secured from Growth Deal Funding for Cotgrave Town Centre and Employment Land (£3 million). A further £2.5 million of Growth Deal Funding has been allocated to development of Land North of Bingham which should commence in the year. Contract works are well underway at Bridgford Hall with completion planned for the end of the financial year. The second tranche of the contribution to Nottinghamshire Broadband has been released. Works planned under the Information Systems Strategy are underway supporting technologies associated with the move to the Arena. A small provision has been made in the event of necessary health and safety enhancement works to the Civic Centre prior to the move.

4.7 Neighbourhoods

A variance of just over £1 million is projected at this early stage in the year. This primarily relates to support for Registered Housing Providers (659,000) as there are currently no grant commitments. A second programme of garage site developments and the continuation of the rural exception sites is still being explored. In addition, the Council is looking at other methods of delivering social housing in the Borough although this work is still in the early stages. Additional funding has also been awarded from the Better Care Fund allowing additional grant monies to be made available for Disabled Facilities Grants (DFGs), a Handyperson Adaptation Service and Assistive Technology (Home Alarms and small scale alterations to allow vulnerable people to stay in their own homes). A total sum of £126,000 brought forward from 2015/16 for DFGs and top-ups can be returned to Capital Contingency as it is unlikely to be needed. This decision will be taken in a later report. There is a projected underspend of £373,000 on the vehicle replacement programme as this is closely managed to get the maximum economical use out of the existing fleet.

4.8 Communities

Delivery of the Communities Capital Programme is largely on target with the exception of Capital Grant Funding. The projected actual for this is based on known grant commitments and an application pending and there is still £30,000 available for allocation. Works to Play Areas planned at Boundary Road, Greythorne Drive and West Park have not yet commenced.

4.9 Finance & Commercial

The projected actual is £12 million which is £2.3 million short of the planned programme. This reflects the understanding that the new loan for Nottinghamshire County Cricket Club will be requested over 3 years instead of one lump sum. In addition, there are no commitments against the monies originally included in the programme and intended for loans to small businesses which have now been tipped in to the Asset Investment Strategy pot. Works have not yet been scoped for the Arena Car Park following vacation by the contractor at the completion of the build works. There have been no requests for Capital Contingency support at this stage although there may be cost pressures associated with BLC artificial turf pitch as the initial contract works have shown some problems arising from the condition of the sub-surface.

4.10 Summary

The report overall projects overall efficiency savings for both revenue and capital. It should be noted it is early in the financial year and opportunities and challenges can arise 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; with heightened risks as a result of BREXIT. 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 Risk and Uncertainties

- 5.1 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.
- 5.2 Areas such as income can be volatile according to external pressures such as the general economic climate. For example Planning income is variable according to the number and size of planning applications received.

6 Implications

6.1 Finance

Financial implications are covered in the body of the report.

6.2 Legal

None

6.3 Corporate Priorities

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

6.4 Other Implications

None

For more information contact:	Name; Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A –Revenue Outturn Position 2016/17 – Quarter 1 Appendix B – Revenue Variance Analysis Explanations Appendix C – Capital Programme 2016/17 – Quarter 1 Position

Revenue Outturn Position 2016/17 – Quarter 1

	Q1 Position - excl recharges			Total Costs				Variation Explanation (see also Appendix B)
	Budget YTD £'000	Actual YTD £'000	Total Variation £'000	Budget £'000	Projected Outturn £'000	Total Variation £'000	Variation %	
Communities	118	140	22	2,738	2,854	116	4	Reduction in large scale planning applications
Finance and Corporate Services	5,749	5,678	(71)	3,682	3,436	(246)	(7)	Contingencies not called upon
Neighbourhoods	201	171	(30)	4,709	4,646	(63)	(1)	
Transformation	790	670	(120)	306	293	(13)	(4)	
Net Service Expenditure	6,858	6,659	(199)	11,435	11,229	(206)	(2)	
Capital Accounting Adjustments				(1,591)	(1,588)	3	0	
Revenue contribution to capital				158	158	0	0	
Transfer to/(from) Reserves				1,033	1,260	227	0	Revenue surplus £206k, S31 grants £24k
Total Net Service Expenditure				11,035	11,059	24	0	
Central Government Grant				(1,064)	(1,064)	0		
Localised Business Rates (includes SBRR)				(2,072)	(2,072)	0		
Collection Fund Surplus				(79)	(79)	0		
Council Tax Income				(5,753)	(5,753)	0		
Specific Grants (including NHB)				(2,067)	(2,091)	(24)		S31 grants (NHB New Burdens £14k & Transition Grant £6k)
Council Tax Freeze Grant				0	0	0		
Total Funding				(11,035)	(11,059)	(24)	0	
Gross Budget Deficit				(0)	0	0	(0)	

Revenue Variance Explanations

ADVERSE VARIANCES	Projected Outturn Variance £'000
Communities	
Community Parks & Open Spaces - New car parking charges not anticipated to be realised until 2017/18	20
Development Control - Reduction in number of large scale applications - £100k. New pre-application charging not due to commence until September 2016	115
Finance & Corporate Services	
Insurances - Additional payment for the Risk Management Fund	10
Neighbourhoods	
Homelessness - Restructure costs	15
Tanker Services - Loss of income from Metropolitan contract	15
Transformation	
Industrial Sites - NCC have vacated Coach Gap Lane premises	12
Total Adverse Variances	187
FAVOURABLE VARIANCES	Projected Outturn Variance £'000
Communities	
Local Development Framework - Local Plan expected to slip with possible carry forward into 2017/18	(25)
Finance & Commercial	
Finance – Staff vacancies and additional income from NSDC insurance work	(59)
EMT - Restructuring savings	(22)
Contingencies - Contingency dependant on risks identified	(119)
Council Tax - Staff vacancies	(11)
Neighbourhoods	
Waste Collection & Recycling - Green waste income above target (£35k) and savings on diesel (£7k)	(45)
Fleet & Garage - Fewer repairs due to use of newer vehicles	(20)
Transformation	
Investment Properties - Additional rental income at The Point	(70)
Total Favourable Variances	(371)
Sum of Minor Variances	(22)
TOTAL VARIANCE	(206)

Capital Programme 2016/17 – Quarter 1 Position

CAPITAL PROGRAMME MONITORING - JUNE 2016						
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance
		£000	£000	£000	£000	£'000
TRANSFORMATION						
Cotgrave Masterplan	5,200	1,565	207	5	1,565	0
Land North of Bingham	2,800	2,800	0	0	2,800	0
Eaton Place Toilet Improvements	33	33	0	0	33	0
Cotgrave Multi-Service Centre	0	1,348	231	3	1,348	0
Colliers Way Industrial Units	0	20	0	0	20	0
Cotgrave Employment Land	0	2,642	452	38	2,642	0
Bridgford Hall Refurbishment	1,410	2,192	375	195	2,192	0
Civic Centre Enhancements - General	0	50	0	0	0	(50)
Nottinghamshire Broadband	83	83	83	83	83	0
IS Strategy	107	301	25	15	301	0
	9,633	11,034	1,373	339	10,984	(50)
NEIGHBOURHOODS						
Support for Registered Housing Providers	250	659	0	3	0	(659)
Wheeled Bins Acquisition	60	60	60	42	60	0
Disabled Facilities Grants	521	467	117	94	401	(66)
Discretionary Top Ups	0	130	0	0	70	(60)
Handyperson Adaptation Service	0	30			30	0
Assistive Technology	0	20			20	0
Vehicle Replacement	981	553	150	148	180	(373)
	1,812	1,919	327	287	761	(1,158)
COMMUNITIES						
Community Partnership Reward Grants	0	25	0	0	25	0
Nottinghamshire Cricket Club - Grant	90	90	0	0	90	0
Capital Grant Funding	48	128	32	27	98	(30)
Play Areas/Special Expense	50	50	0	0	50	0
West Park Fencing and Drainage	34	34	0	0	34	0
	222	327	32	27	297	(30)
FINANCE & CORPORATE SERVICES						
Car Park Pay and Display Machines	60	60	0	0	60	0
BLC Artificial Turf Pitch	165	165	8	0	165	0
Rushcliffe School Contribution	90	90	0	0	90	0
Arena Car Park Improvements	55	55	0	0	55	0
Arena Development	6,555	10,865	1,609	1,505	10,865	0
NCCC loan 2015-16	0	2,700	0	0	900	(1,800)
Asset Investment Strategy	0	500	0	0	0	(500)
	6,925	14,435	1,617	1,505	12,135	(2,300)
CONTINGENCY						
Contingency	150	250			250	0
	150	250	0	0	250	0
TOTAL	18,742	27,965	3,349	2,158	24,427	(3,538)

Report of the Executive Manager - Finance and Corporate Services

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
8 September 2016	<ul style="list-style-type: none"> • Statement of Accounts 2015/16 • External Auditors Annual Governance Report 2015/16 • Review of Constitution • Treasury Management Outturn 2015/16 • Revenue & Capital Budget Monitoring • Work Programme
1 December 2016	<ul style="list-style-type: none"> • Internal Audit Progress Report 2016/17 • Health and Safety Interim Report • Risk Management Update • Annual Audit Letter • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
9 February 2017	<ul style="list-style-type: none"> • Internal Audit Progress Report 2016/17 • Treasury Management Strategy 2017/18 • Revenue and Capital Budget Monitoring • Certification of Grants and Returns – Annual Report 2015/16 • Work Programme
11 May 2017	<ul style="list-style-type: none"> • External Audit Plan 2016/17 • Internal Audit Progress Report 2016/17 • Internal Audit Strategy 2017/18 • Risk Management Update • 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: Constitutional Services 0115 914 8482 email Constitutionalservices@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None