

When telephoning, please ask for: Constitutional Services
Direct dial 0115 914 8481
Email constitutional.services@rushcliffe.gov.uk

Our reference:
Your reference:
Date: 1 February 2017



To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Thursday 9 February 2017 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

Yours sincerely

A handwritten signature in black ink, appearing to be 'R. B.', written over a light blue horizontal line.

Deputy Monitoring Officer

AGENDA

1. Apologies for absence.
2. Declarations of Interest.
3. Notes of the Meeting held on Thursday 1 December 2016 (pages 3 - 13).
4. Certification of Grants and Returns 2015/16

The report of the Executive Manager - Finance and Corporate Services is attached (pages 14 - 18).

5. Internal Audit Progress Report 2016/17

The report of the Executive Manager - Finance and Corporate Services is attached (pages 19 - 31).

6. Payment Diversion

There will be a presentation by RSM.

7. Information Governance

The report of the Chief Information Officer is attached (pages 32 - 36).

8. Update on Review of the Constitution 2017

The report of the Monitoring Officer is attached (pages 37 - 39).

Rushcliffe Community
Contact Centre
Rectory Road
West Bridgford
Nottingham
NG2 6BU

In person
Monday to Friday
8.30am - 5pm
First Saturday of
each month
9am - 1pm

By telephone
Monday to Friday
8.30am - 5pm

Telephone:
0115 981 9911

Email:
customerservices
@rushcliffe.gov.uk

www.rushcliffe.gov.uk

Postal address
Rushcliffe Borough
Council
Rushcliffe Arena
Rugby Road
West Bridgford
Nottingham
NG2 7YG



9. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18

The report of the Executive Manager - Finance and Corporate Services is attached (pages 40 - 57).

10. Revenue and Capital Budget Monitoring 2016/17 – Quarter 3 Update

The report of the Executive Manager - Finance and Corporate Services is attached (pages 58 - 66).

11. Work Programme

The report of the Executive Manager - Finance and Corporate Services is attached (pages 67 - 68).

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, 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 at the far side of the plaza outside the main entrance to the building.

Toilets: are located to the rear of the building near the lift and stairs to the first floor.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

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NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 1 DECEMBER 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, A M Dickinson, A J Edyvean, S J Hull, A MacInnes, D G Wheeler (substitute for Councillor M Buckle)

ALSO IN ATTENDANCE:

K Waddoups RSM

OFFICERS PRESENT:

A Hall-Wright	Financial Services Manager
P Linfield	Executive Manager - Finance and Corporate Services
K Marriott	Executive Manager - Operations and Transformation
V Nightingale	Constitutional Services Officer
J Wilkinson	Health and Safety Advisor

APOLOGY FOR ABSENCE:

Councillor M Buckle.

19. **Declarations of Interest**

There were none declared.

20. **Notes of the Previous Meeting**

The notes of the meeting held on Thursday 8 September 2016 were accepted as a true record.

21. **Internal Audit Progress Report 2016/17**

Ms Waddoups presented the first progress report for 2016/17. She stated that 47% of the Plan had been completed. Two plans had been finalised and both had received a positive opinion. The report regarding risk management had only received four low priority findings which had been agreed by managers and mitigating actions put into place. The report in respect of disabled facilities grants received one medium priority which related to the length of time taken to notify land charges of adaptations over £5,000. RSM were satisfied with the mitigating action taken by managers.

The Group queried if the Plan would be completed by the end of the year as only 47% had been completed. Ms Waddoups stated that she was confident that it would and explained that timing was different this year due to the proposed move to the new offices. Following a question, Councillors were informed that the reports on the Human Resources policies and IT had been

delayed as staff were undertaking extra work to ensure that the move to the Arena was successful and that all policies were updated to reflect the new working arrangements.

Councillors queried the length of time taken for managers to reply to a draft report and were informed that normally responses were within ten days, although this could be longer if there were any queries.

AGREED that the Corporate Governance Group noted Internal Audit's first Progress Report for 2016/17 (Appendix A).

22. Health and Safety Six Monthly Report

The Health and Safety Advisor gave a presentation which outlined the progress made on the goals set for this year. She said that the Council had been awarded the Nottinghamshire's Workplace Health Bronze Award; the Noise at Work policy had been reviewed and updated; she was assisting Streetwise in two of its high risk areas and had agreed an audit of 'hand held vibration' and COSHH early in the new year; also she had assisted with advice on health and safety elements of the office move to the Arena.

Councillors were informed of the various training that had been held and the number of staff attending. It was noted that the number of staff undertaking the fire safety and workstation assessment e-learning packages had reduced as this only needed renewing every three years, however, because of the move to the new office staff would be requested to complete these packages. Following a question, the Group was informed that staff sessions were being held at the new offices before the official move and that evacuation procedures would be part of these; also the e-learning package would show a plan of the Arena and the evacuation routes. A new ways of working document was being published on the Council's intranet and this included information on evacuations. Staff would be expected to familiarise themselves on their first day in the new building. With regards to members of the public officers were working with Parkwood Leisure to enable evacuations to be run smoothly and any planned drills would include the leisure staff as well. In response to a question regarding the Civic Centre and the use of the evac chairs when the Council had moved out, the Group was informed that the Council's responsibility was to its workforce and that other tenants and businesses remaining in the Civic had responsibility for their own evacuation procedures.

In relation to Drug and Alcohol training Councillors were informed that critical roles had been identified and that the training was to ensure that managers were confident in their ability to spot any potential signs that a member of staff was under the influence. Following a question, the Health and Safety Advisor explained that the Council undertook a 10% random sample of staff in critical roles and that there could also be a with cause test. At present the policy's parameter was that someone had to be under the legal limit for alcohol. However, officers were pleased to say that everyone tested had returned a zero rating. The Executive Manager - Operations and Transformation said that a decision would be taken by the appropriate manager if anyone's test showed a positive return.

The Health and Safety Advisor informed Councillors of the number and types of accidents that had been reported. She stated that the numbers were comparable with those for the previous two years and that there were no significant trends. With regard to the number of days lost due to accidents she stated that this fluctuated every year, although the average for the last four years was 34 days. This year two incidents had been reported under the RIDDOR regulations. In respect of members of the public there had been eight accidents, six of which related to play injuries at Rushcliffe Country Park. Following a question, the Group was informed that accidents at leisure centres was scrutinised by the Performance Management Board as part of their consideration of the contract.

AGREED that that the Corporate Governance Group had considered the six month health and safety update giving due regard to the information presented.

23. **Risk Management Review Update**

The Executive Manager - Operations and Transformation presented the report that updated the Group on the progress made since the meeting on 21 April 2016 and also provided a summary of any activities associated with updating the Council's risk register and work relating to the Council's emergency planning and business continuity functions. She said that the Council's auditors had made four low priority recommendations which had all been addressed.

With regards to the risk register the Group was informed that the risks classified as red had remained the same. She stated that officers were mindful of these risks which included changes to Government policies, the re-evaluation of the top business rate payers, reduction in government funding, risk and return from the Asset Management Strategy and the inability to demonstrate a five year housing supply. Following a question it was agreed to circulate how the risks were rated.

Councillors were informed of two risks that had been reviewed and moved and eight new risks that were proposed to be included. These were:

- Potential inflationary pressures, with volatility over prediction for budget - linked to Brexit
- Inability to draw down Growth Deal 2 funding within specified timescales
- Potential delay of handover of new building at the Arena
- Failure to implement Paperlite working practice for Members
- Delivery of social rented affordable housing
- Reputational risk to the council following adverse media coverage
- Potential delay for exchange or completion of contracts for the sale of the Civic Centre
- Potential delay over completion and handover of Bridgford Hall

The Executive Manager - Operations and Transformation highlighted the reasons why these had been proposed and gave examples. It was agreed that once these risks had been considered against the matrix and scored officers would circulate the results to the Group.

With regard to emergency planning Councillors were informed that all the continuity plans had been reviewed prior to the office move. They were told that IT would be switching off all systems at 4.00 pm on 16 December and would be working over the weekend to ensure that everything worked when the office opened on 19 December. The Executive Manager - Operations and Transformation said that due to recent flooding in Gotham officers were working with the community to obtain a flood resilience store. She said that a number of exercises had been undertaken over the last six months to test the continuity plan including staff's ability to find the correct information out of hours and with the Contact Centre on loss of phones. Councillors were informed that the Contact Centre had had an issue on 30 November but, due to the emergency plan, had been able to set up mini contact centres at the Civic Centre and several community hubs to deal with the issue. Following a question, officers stated that a previous exercise carried out over a weekend had highlighted that staff without access to the Council's virtual private network had difficulties accessing the information requested of them; staff were reminded that all the documents were contained on a government website (resilience direct) to avoid this issue.

Following a question regarding funding from the Local Enterprise Partnership Councillors were informed that £6.3 million had been approved, however to draw this down local authorities had to show that they were able to "start on site the next day", this included all planning permissions and procurement, and a value for money assessment. The Council had received £1.8 million for the employment units at Cotgrave. For the sites at Cotgrave Town Centre, land north of Bingham and RAF Newton officers were currently working on the value for money assessments. The issues for these sites was timing as any delays could jeopardise the Council's ability to draw down the funding as the Local Enterprise Partnership had to spend the money in 2017/18.

Following a discussion on information security it was agreed that the Chief Information Officer should attend when the Group next considered risk management.

The Group discussed the recent publicity the Council had received, especially on social media, concerning the adoption of a Designated Public Place Order and how the Council had directed people to the FAQ's to try to rectify the misconception. The Council also highlighted the work of The Friary and how the Council's Recycling2go teams would be collecting unwanted tinned items to take to The Friary. Members welcomed this initiative.

AGREED that the Corporate Governance Group

- a) noted the contents of the report
- b) considered the actions taken to review the risk management arrangements and implement internal audit recommendations
- c) considered the work of the Emergency Planning Officer.

24. Proposals for a Comprehensive Review of the Constitution

The Executive Manager - Operations and Transformation presented a report which outlined a timetable for a robust review of the Constitution. It was noted

that the Corporate Governance Group had a responsibility to monitor and make recommendations for a review of the Constitution which would have to be approved by Cabinet and Council. The report highlighted the changes that had been made to the Constitution over the last twelve years, which person or committee had responsibility for the different sections and the light touch that had just been undertaken to ensure that the Constitution reflected the current staff structure and recent legislation.

The Group discussed the three main concerns raised by Councillors during the recent review. These were public speaking, which would be considered as part of the planned peer review of Planning in February 2017; the use of 1st class travel which was part of the Independent Remuneration Panel's remit and the position of Leader of the Opposition that could be included in the review.

The Executive Manager - Operations and Transformation stated that there was a second option whereby the Group could establish a task and finish group that could consider the key aspects over the next twelve months. Officers stated that the Group needed to consider the impact of the review on the substantive business of the Group. Officers stated that if the Group felt that a task and finish group would be more beneficial a report outlining the terms of reference for the task and finish group could be presented at the Group's next meeting.

The Chairman stated that he had discussed this issue with the Chief Executive and had felt that the original proposal would take too much time. He felt that a more focussed group would be the better option and on this basis he had consulted with certain members of the Group to see if they would take on the challenge. He proposed to the Group that the membership of the task and finish group should be Councillors Beardsall, Buckle, Edyvean and MacInnes and that they should be assisted by the Monitoring Officer and appropriate officers. The Group agreed that this was the better option.

AGREED that the Corporate Governance Group approve the setting up of a task and finish group of four members with the Monitoring Officer to oversee the review of the Constitution and that this review should be presented to the Corporate Governance Group before being presented to Cabinet and Council for final approval. The Chief Executive would be involved where appropriate.

25. Annual Audit Letter 2015/16

The Executive Manager - Finance and Corporate Services presented the Annual Audit Letter to the Group. He said that this had been discussed at the Group's last meeting and identified that the Council had a clean bill of health and was able to demonstrate its value for money for the year. The auditors had highlighted the loan to Nottinghamshire County Cricket Club and they felt that further consideration should be given to the partnership. As a result the Council, Nottinghamshire County Council and Nottingham City Council meet regularly to review the projects and the progress made against the budgets. He informed the Group that the Treasury Management report and the Revenue and Capital budget monitoring will reference this loan further for members of the Group.

The Group noted that the document included the Auditor's fee and were pleased to note that this had significantly reduced over the last few years.

Following a question officers agreed to put the audit letter on the financial pages of the Council's website.

AGREED that the Corporate Governance Group noted the receipt of the Annual Audit Letter.

26. Treasury Management Update – Mid Year Report 2016/17

The Financial Services Manager presented the mid year report regarding treasury management for 2016/17. She explained how the economic background and forecast impacted on the Council's investments. Over the last six months the Brexit result had affected the UK economy which had begun to grow but was now in a decline; also the Bank of England's base rate inform the interest receipts the Council could expect which was at present 0.25%, however, there was a possibility this could reduce to zero in the near future, which would affect future returns. The Group was informed that the return on the investments during the first six months had been higher than expected and that by the end of the year the actual receipts could be £15,000 higher than forecasted; this was mainly due to the Council being able to invest more than anticipated due to expenditure being incurred later than predicted.

The Financial Services Manager highlighted the investments and how the risks were reduced due to a diverse portfolio. She also pointed out how the Council was investing in shorter timescale investments as this produced a higher rate of return. Councillors' attention was drawn to the prudential indicators and how the budgets had been re-profiled. It was noted that this area was fraught with difficulties and officers stated that any significant variations would be reported to the Corporate Governance Group. The Executive Manager - Finance and Corporate Services explained to Councillors that more short term investments were made in order that the Council could manage its financing of projects.

Following a question regarding terminology officers explained that investments on 'call' could be released overnight and that 'on-going' investments had no end date.

With regard to investments in property funds officers explained that the Council received a greater dividend from property as these were normally longer term.

AGREED that Members noted the Treasury Management update position at 30 September 2016.

27. Revenue and Capital Budget Monitoring 2016/17 – Quarter 2 Update

The Executive Manager - Finance and Corporate Services presented the budget monitoring report for Quarter 2. He stated that the underspend of £5.4 million on the capital programme was due to profiling and the timing of projects. The Group was informed that £2.8 million allocated to the Land

North of Bingham would be reprofiled into 2017/18; also the Nottinghamshire County Cricket Club loan had reduced from £2.7 million to £1.3 million.

The Group was informed that the Edwalton Golf Courses had had a particularly bad year and that the Council was investing £75,000 into capital projects to help improve the usage of the facility.

With regards to the revenue budget there was a projected saving of £442,000 which was due to efficiency savings and managers being prudent. He explained that there had been a restructure in the financial services section and that vacant positions had now been deleted from the establishment which had made savings for this year.

The Group welcomed the healthy state of the Council's accounts.

AGREED that the Corporate Governance Group noted:

- a) the projected revenue and capital budget positions for the year of £442k in efficiency savings and £5,473k from capital scheme re-phasing; and
- b) the accelerated budget provision in relation to Edwalton Golf course to enhance the facilities (specifically the toilets and showers).

28. Work Programme

The Group considered and agreed its work programme. It was noted that following the Group's discussion regarding the Constitution that this item would be included on the programme for the Group's next meeting. The Group queried when it would receive another update report on the performance of The Point; officers agreed to include it within the Quarter 3 revenue report.

Date of Meeting	Item
9 February 2017	<ul style="list-style-type: none"> • Terms of reference for Constitution Review task and finish group • 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

Date of Meeting	Item
September 2017	<ul style="list-style-type: none"> • Statement of Accounts 2016/17 • External Auditors Annual Governance Report 2016/17 • Review of Constitution – report of the task and finish group • Treasury Management Outturn 2016/17 • Revenue & Capital Budget Monitoring • Work Programme


The meeting closed at 9.00 pm.

Action Sheet

CORPORATE GOVERNANCE GROUP - THURSDAY 1 DECEMBER 2016

Minute Number	Actions	Officer Responsible
20. Notes of the Previous Meeting	None	
21. Internal Audit Progress Report 2016/17	None	
22. Health and Safety 6 Monthly Report	None	
23. Risk Management Review Update	<p>a) Officers to circulate the method taken to rate identified risks</p> <p>b) Officers to circulate the results of rating the proposed new risks</p> <p>c) The Chief Information Officer to be invited to attend the next meeting the Group considers risk management</p>	Executive Manager - Operations and Transformation
24. Proposals for a Comprehensive Review of the Constitution	A report detailing the terms of reference for the task and finish group to be included on the Group's next agenda	Executive Manager - Operations and Transformation
25. Annual Audit Letter 2015/16	Officers to place the Annual Audit Letter on the financial pages of the Council's website	Executive Manager - Finance and Corporate Services
26. Treasury Management Update – Mid Year Report 2016/17	None	
27. Revenue and Capital Budget Monitoring 2016/17 – Quarter 2 Update	None	
28. Work Programme	<p>a) The Constitution task and finish group terms of reference to be included in the work programme for the next meeting.</p> <p>b) Officers to include an update report on the performance of The Point; within the Quarter 3 revenue report</p>	<p>Constitutional Services</p> <p>Executive Manager - Finance and Corporate Services</p>

Response Sheet
CORPORATE GOVERNANCE GROUP - THURSDAY 1 DECEMBER 2016

Minute Number	Actions	Officer Responsible	Response
23. Risk Management Review Update	<p>a) Officers to circulate the method taken to rate identified risks</p> <p>b) Officers to circulate the results of rating the proposed new risks</p>	Executive Manager - Operations and Transformation	<p>a) Risks are rated on a matrix of 1-4 in terms of impact, and 1-4 in terms of likelihood. The numbers are then multiplied to give a risk rating.</p> <p>Vertical axis (1-4) is likelihood, horizontal (1-4) is impact. The RAG rating is identified below.</p>  <p>b) Potential inflationary pressures, with volatility over prediction for budget. - linked to Brexit <u>rating 4 (2x2)</u></p> <p>Inability to draw down Growth Deal 2 funding within specified timescales <u>rating 8 (2x4)</u></p> <p>Potential delay of handover of new building at the Arena <u>rating 9 (3x3)</u> but since deleted.</p> <p>Reputational risk to the Council</p>

			<p>following adverse media coverage rating <u>16 (4x4)</u></p> <p>Potential delay for exchange or completion of contracts for the sale of the Civic Centre <u>rating 9 (3x3)</u></p> <p>Potential delay over completion and handover of Bridgford Hall – covered in “failure to properly manage and deliver significant projects” <u>rating 6 (2x3)</u>.</p> <p>c) On the Agenda for 9 February 2017</p>	
24. Proposals for a Comprehensive Review of the Constitution	c) The Chief Information Officer to be invited to attend the next meeting the Group considers risk management	A report detailing the terms of reference for the task and finish group to be included on the Group’s next agenda	Executive Manager - Operations and Transformation	There will be an update at the meeting.
25. Annual Audit Letter 2015/16	Officers to place the Annual Audit Letter on the financial pages of the Council’s website	Officers to place the Annual Audit Letter on the financial pages of the Council’s website	Executive Manager - Finance and Corporate Services	This has been included on the Council’s website.
28. Work Programme	a) The Constitution task and finish group terms of reference to be included in the work programme for the next meeting. b) Officers to include an update report on the performance of The Point; within the Quarter 3 revenue report	a) The Constitution task and finish group terms of reference to be included in the work programme for the next meeting. b) Officers to include an update report on the performance of The Point; within the Quarter 3 revenue report	Constitutional Services Executive Manager - Finance and Corporate Services	Included on this agenda. Included within the Q3 Finance update report on the January 2017 CGG Agenda.

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The report from KPMG summarises the work undertaken during 2016/17 in relation to grant claims and returns for the financial year 2015/16.

2. Recommendation

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

3. Reasons for Recommendation

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

4. Supporting Information

- 4.1 The attached report summarises the results of the audit of the Housing Benefit Subsidy Claim 2015/16 and the resultant costs of the audit. The audit identified three errors (summarised in KPMG's attached report) which were all amended within the claim. Overall, the claim was unqualified and KPMG made no recommendations to improve the claims completion process. The actual fee was the same as the indicative fee of £6,898 for 2015/16.

5. Other Options Considered

- 5.1 Not Applicable.

6. Risk and Uncertainties

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

7. Implications

7.1 Finance

Financial implications are covered in paragraph 4.1.

7.2 Legal

None.

7.3 Corporate Priorities

Not applicable.

7.4 Other Implications

None.

For more information contact:	Nigel Carter Service Manager – Finance and Commercial 0115 914 8340 ncarter@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix A - KPMG's annual report



KPMG LLP
 Infrastructure, Government & Healthcare
 St Nicholas House
 Park Row
 Nottingham
 United Kingdom

Tel +44 (0) 115 935 3560

Private & confidential

Peter Linfield
 Executive Manager Finance and Corporate
 Services
 Rushcliffe Borough Council
 Rugby Road
 West Bridgford
 Nottingham
 NG2 7HY

Our ref AB/RBC/Grants

Contact Andrew Bush

24 January 2017

Dear Peter

Rushcliffe Borough Council - Certification of claims and returns - annual report 2015/16

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2015/16.

In 2015/16 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £18.720 million, and we completed our work and certified the claim on 28 November 2016.

Matters arising

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work identified three errors, and in all three instances we were able to undertake 100% testing over the respective sub-population for each type of error. This allowed us to amend the claim in line with DWP guidance. We certified the claim unqualified.

Our testing identified:

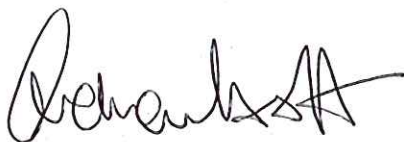
- one instance where a claimant's income had been amended but no evidence was obtained, this resulted in a small overpayment. Further testing was carried out which identified two further errors, for which the claim was amended. The impact on the claim was £182;
- one instance where a claim had not been processed correctly following a Rent Officer's Decision. This case was as a result of user error and involved the misclassification of benefit paid. Further testing was carried out which identified 19 further cases with a similar issue, for which the claim was amended. The impact on the claim was a reclassification of £1,151; and
- one instance where a claimant moved from a registered social landlord property into short term B&B accommodation. Due to a system error the subsidy amount created for this case was incorrectly classified. We confirmed that there were no other similar cases. The claim was amended, the impact of which was a reclassification of £47.

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

Certification work fees

Public Sector Audit Appointments set an indicative fee for our certification work in 2015/16 of £6,898. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £8,660.

Yours sincerely



Andrew Bush
Engagement Lead

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Bush, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 The attached report has been prepared by the Council's internal auditors RSM. It is the second report for the financial year 2016/17 and shows the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group notes Internal Audit's second Progress Report for 2016/17 (**Appendix A**).

3. Reasons for Recommendation

- 3.1 To conform with best practice and Public Sector Internal Audit Standards and give assurance to the Corporate Governance Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1 The Internal Audit Plan for 2016/17 includes 17 planned reviews. Of these reviews 76% have been completed, with 6% in progress. The attached report highlights the completion and issuing of 6 reports: Purchasing and Creditors; Payroll; Corporate Governance; Follow up of previous actions; Housing Benefits; and Council Tax. All assignments have been given substantial assurance. In terms of findings, only one medium priority was identified relating to the requirement to include terms of reference for the Strategic Growth Group in the Constitution. Mitigating action has been agreed by management.
- 4.2 With regard to the remaining programme, 5 assignments are currently at draft report status with final versions due to be reported at the next meeting of this Group. The remainder of the audit plan is due to be completed over the remaining two months of 2016/17.

5. Other Options Considered

- 5.1 Not Applicable.

6. Risk and Uncertainties

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

7. Implications

7.1 Finance

There are no direct financial implications to the report. Indirectly, a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

7.2 Legal

None.

7.3 Corporate Priorities

Not applicable.

7.4 Other Implications

None.

For more information contact:	Nigel Carter Service Manager – Finance and Commercial 0115 914 8340 ncarter@rushcliffe.gov.uk
Background papers Available for Inspection:	Internal Audit Reports 2016/17
List of appendices (if any):	Appendix A – Internal Audit Progress Report 2016/17



RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report

Corporate Governance Group

9 February 2017

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept
no responsibility or liability in respect of this report to any other party.





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For further information contact	9

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

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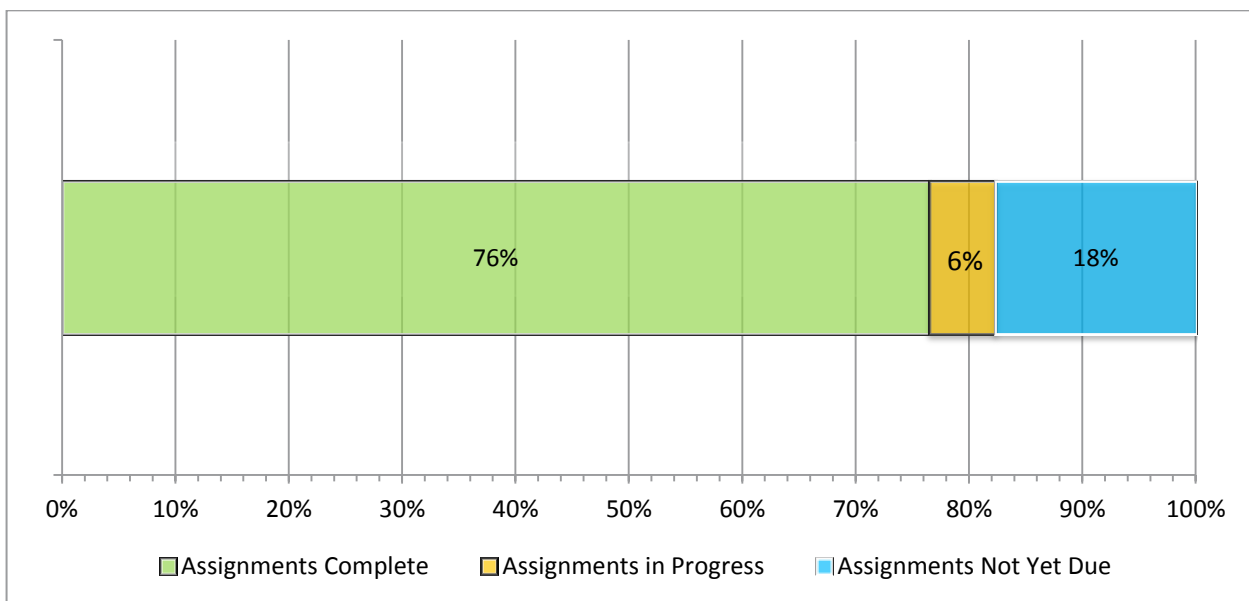
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The Internal Audit Plan for 2016/17 was approved by the Corporate Governance Group on 21st April 2016 and includes a total of 17 planned reviews.

This report provides a summary update on progress against that plan and summarises the results of our work to date.



2 REPORTS CONSIDERED AT THIS CORPORATE GOVERNANCE GROUP

This table informs of the audit assignment that has been completed since the last Corporate Governance group. The Executive Summary and Key Finding of the assignment below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Purchasing and Creditors (3.16/17)	Final		0	0	5
Payroll (4.16/17)	Final		0	0	2
Corporate Governance (5.16/17)	Final		0	1	1
Follow Up of Previous Internal Audit Actions (6.16/17)	Final	Good Progress	0	0	0
Housing Benefits (7.16/17)	Final		0	0	1
Council Tax (9.16/17)	Final		0	0	3

2.1 Impact of findings to date



Purchasing and Creditors

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken five low priority findings were identified. Management agreed an appropriate action in respect of all findings.



Payroll

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified. Management agreed an appropriate action in respect of all findings.



Corporate Governance

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one medium and one low priority finding was identified. Management actions were agreed in respect of the all findings.

The medium finding related to:

A Strategic Growth Group was formed in 2016. Review of Council's Constitution established that the Terms of Reference for this Group have not been agreed and included in the Constitution.

There is a risk that the objectives the Strategic Growth Group was set up for may not be met where the Terms of Reference are not agreed and included in the Constitution.



Follow Up of Previous Internal Audit Actions

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken all actions were confirmed as implemented and no further actions raised.



Housing Benefits

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified. Management agreed an appropriate action in respect of the finding.



Council Tax

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three low priority findings were identified. Management agreed an appropriate action in respect of all findings.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2016/17	Status
Land Charges	Q1	Draft Report
NNDR	Q4	Draft Report
Economic Development	Q3	Draft Report
Treasury Management, Cash and Banking	Q3	Draft Report
Licensing	Q3	Draft Report
Main Accounting and Budgetary Control	Q4	Scheduled 06/02/2017
IT Review	Q1	Scheduled 20/02/2017
Follow Up 2	Q4	Scheduled 27/02/2017
HR Policies	Q3	Scheduled 06/03/2017

4 OTHER MATTERS

4.1 Changes to the audit plan

There have been no changes to the audit plan since its approval on 21 April 2016.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Corporate Governance Group are included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Disabled Facilities Grants (01.16/17)	Final		0	1	0
Risk Management (02.16/17)	Final		0	0	4

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

chris.williams@rsmuk.com

Tel: 07753 584 993

Robert Barnett, Director

robert.barnett@rsmuk.com

Tel: 07791 237 658

Amjad Ali, Client Manager

amjad.ali@rsmuk.com

Tel: 07800 617 139

Address:

RSM Risk Assurance Services LLP

Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham NG1 5FS

Phone: 0115 964 4450

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CORPORATE GOVERNANCE - ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Risk: The Councils governance arrangements do not provide assurance to management, members or for accountability purposes					
2	<p>A Strategic Growth Group was formed in 2016. Review of Council's Constitution established that the Terms of Reference for this Group have not been agreed and included in the Constitution.</p> <p>There is a risk that the objectives the Strategic Growth Group was set up for may not be met where the Terms of Reference are not agreed and included in the Constitution.</p>	Medium	The Terms of Reference for the Strategic Growth Group will be included in the Constitution.	30 September 2017	Services Manager – Finance and Commercial

Report of the Chief Information Officer

1. Summary

1.1 The Council has been implementing its vision for Information Management through the delivery of the Information Management Strategy since 2010. The vision states:

The Council will be recognised as an information exploiting organisation operating to the following principles:

- *Information is actively and strategically managed as a critical business asset*
- *We understand what information we have available, who is responsible for it, what our further needs are, and we know what is needed to improve the quality of these assets*
- *Through our Information Asset Owners (IAOs) information is treated as a shared resource*
- *Its storage, security, availability and accessibility are managed effectively, efficiently and economically*
- *All information is openly and easily accessible to those who need it (respecting appropriate security and confidentiality)*
- *Our employees have the necessary capability to manage, use and exploit these resources to improve services to our customers*
- *Innovation in using and enriching information is encouraged and rewarded.*

1.2 This report provides Councillors with information regarding the five strategic strands that support the Strategy namely, governance, policy, training, communication (implementation and embedding) and tools/processes.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group note the contents of the report and the presentation.

3. Information Management and Governance

Governance

3.1 There are three specific roles which are identified within the governance arrangements:

- **Accounting Officer (AO)** – this role has overall responsibility and it is undertaken by the Chief Executive
- **Senior Information Risk Owner (SIRO)** – this role is responsible for implementing the Information Management Strategy, it is undertaken by the Chief Information Officer which is a shared role across Rushcliffe Borough

Council, Broxtowe Borough Council and Newark and Sherwood District Council and as such the SIRO responsibilities are mirrored in each organisation as is the Information Management Strategy.

- **Information Asset Owner (IAO)** – this role is responsible for ensuring that the Information Management Strategy is applied, it is undertaken by Lead Specialists, Service Managers and members of the Executive Management Team.

3.2 In addition, the Corporate Information Governance Group, which is made up of the Chief Information Officer (Chair), Senior Solicitor, and ICT Projects and Development Officer, meets every quarter to review progress against the Strategy, new information management risk, and cyber security issues / concerns.

Policy

3.3 A suite of Information Management and ICT policies have been created to support the Council, these continue to be developed as required. The policies are categorised under the following headings:

- Overarching Policy
- Access
- Assets
- Data Protection
- Operational
- Network
- User

3.4 A detailed list can be seen within the Information Management Strategy Delivery 'at a glance' leaflet which has been distributed with this agenda.

Training

3.5 A training framework has been developed to support the Information Management Strategy delivery and is based on the Council's e-learning platform along with other material including 'at a glance' leaflets. Employees are required to complete the training at induction and then refresh as required. The framework contains three levels that are designed to ensure that the relevant training is targeted at the appropriate employees.

Level 1 targets all employees and Councillors – this training is about things we all need to know.	Level 2 targets specific employees e.g. PCI/DSS (Payment Card Industry Data Security Standards) is for employees that take card payments; online, on the telephone, or face to face.	Level 3 targets senior managers; the three main managerial roles and responsibilities associated with information management and governance
LEVEL 1	LEVEL 2	LEVEL 3
Audience:	Audience:	Audience:
All employees and Councillors	Specific employees, based on role	Senior Management
Training:	Training:	Training:
<ul style="list-style-type: none"> • Freedom of Information • Data Protection • Information Management • Information Classification 	<ul style="list-style-type: none"> • PCI/DSS • Environmental Information regulations • Regulation of Investigatory Powers Act 	<ul style="list-style-type: none"> • Guidance on Mandatory Roles • AO – Accounting Officer • SIRO – Senior Information Risk Officer • IAO – Information Asset Owner
Frequency:	Frequency:	Frequency:
At induction and every two years.	At inductions and annually for PCI/DSS At induction and every two years for others.	At induction and every two years.

3.6 In addition, other courses have been developed for example Phishing (email), SMishing (text messaging), and Vishing (voice) to help raise awareness of the increasing prevalence of cyber security attacks.

Communication (Implementation / Embedding)

3.7 As well as the Information Management Strategy, the suite of Information Management and ICT policies, and the training framework, a number of other communication mechanisms have been successfully utilised to help embed the understanding and learning within the organisation for example:

- ‘at a glance’ leaflets for employees and Councillors
- Staff Matters articles
- Induction training for employees and Councillors
- Screen saver messages
- Email reminders
- Guidance documentation
- Leadership Forum Briefings
- Executive Management Team reports.

Tools and Processes

3.8 As the Information Management Strategy was rolled out within the organisation a number of new tools and processes were developed, these include: -

- Automated purges of the Council's Document Management Systems (DMS)
 - Helps to manage the Council's destruction and retention arrangements
- Information Asset Register
 - Maintains a list of all information assets across all service areas
 - Records key information relating to each asset including owner, destruction and retention, classification and location.
- Clear desk arrangements
 - Ensure that all information is removed from desks and stored securely, support agile working arrangements and ensuring information security is maintained.
- SIRO annual audit and report to Executive Management Team
- Internal Information Management Audits.

4. Standards

4.1 **Appendix A** lists a number of standards that the Council is either certified against or maintains compliance. Certain standards incur cost to achieve certification; as a result, a decision is made whether to simply maintain compliance with a standard or whether to invest funds to achieve certification.

5. Implications

5.1 Finance

There are no financial implications – the Strategy utilises existing resources and training platforms.

5.2 Legal

The Council needs to abide by the requirements of the Freedom of Information and Data Protection Acts. The Council is obligated to look after data and sensitive data in the appropriate way. If a member of the public is unhappy with the way his or her data has been handled they can make a complaint to the Council or to the Information Commissioner.

5.3 Corporate Priorities

The Information Management Strategy aligns with and supports the Council's Corporate Priorities.

5.4 Other implications

There are no other implications.

For more information contact:	Kevin Powell Chief Information Officer 07977 269518 kevin.powell@broxtowe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix A – Glossary of terms / standards

Glossary of terms / standards

CoCo	<p>Code of connection – the standards that must be met in order for a local authority to be connected to the Public Services Network (PSN). Currently provides for example secure email and access to Department of Work and Pensions data to support the Council's processing of Housing Benefits.</p> <p>(The Council is certified against this standard)</p>
Cyber Essential	<p>Is a UK government scheme encouraging organisations to adopt good practice in information security. It includes an assurance framework and a simple set of security controls to protect information from threats coming from the internet.</p> <p>(The Council is compliant with and intends to become certified against this standard subject to cost)</p>
ISO 27001	<p>Is a specification for an information security management system (ISMS). An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes.</p> <p>(The Council aims to remain compliant with this standard)</p>
PCI/DSS	<p>Payment Card Industry Data Security Standards. The Council must be compliant with this set of standards in order to enable it to process payments made using credit or debit cards.</p> <p>(The Council is certified against this standard)</p>
PSN	<p>Public Service Network.</p>

Report of the Monitoring Officer

1. Summary

- 1.1 During 2016 changes were recommended to the Constitution by the Corporate Governance Group and approved by Council, at its December 2017 meeting, to reflect legislative amendments and commitments which had been made to the internal operating structures of the Council. Corporate Governance Group also highlighted the desire for a more focused review of the Constitution to be undertaken during 2017.
- 1.2 The purpose of this report is to advise the Group of the initial meeting of the Member Panel and to seek approval of their recommendations for its terms of reference, scope of the review, principles of working and timescales.

2. Recommendations

It is **RECOMMENDED** that the Corporate Governance Group agree the terms of reference for the Member Panel, the scope of the review, the principles of working and the timescale for the review as set out in paragraphs 3.3.1 – 3.3.3.

3. Review of the Constitution

- 3.1 The Council's Constitution received a light touch review in 2016 in order to ensure its provisions is in line with both legislation and the structure of the Authority. The Corporate Governance Group oversaw the review and changes which were approved by Council on 8 December 2016. All Councillors will shortly receive a copy of this latest version of the Constitution. Councillors will note that this version will also incorporate a factual change to include terms of reference for the Strategic Growth Board in order to comply with an Internal Audit recommendation.
- 3.2 The December meeting of the Corporate Governance Group agreed to establish a small Member Panel to progress the constitutional review and identify areas to be prioritised for early work, including public speaking, use of first class travel by Councillors, an identified role in the Constitution for opposition group leaders and improved access to information for Councillors.
- 3.3 It is proposed that the Member Panel is made up of Councillors Beardsall, Buckle, Edyvean and MacInnes, the Chief Executive and the Monitoring Officer. The first meeting took place on Thursday, 26 January 2017 and recommend the following to the Corporate Governance Group:

3.3.1 Terms of Reference

- a) To review the accessibility, utility and usability of the current Constitution and improve it;
- b) To review the structure of the current Constitution to improve its content, layout and flow as a practical working document;
- c) To identify and prioritise specific areas of content and procedures for detailed review, noting that, in time, all sections will be reviewed; and
- d) To draft a simple and effective change control mechanism for the constitution and establish an on-going review process which will involve Councillors.

3.3.2 Scope of the review and timescale

The Member Panel will review the whole Constitution, and recommend that it is completed within a 12 month timeframe. Other scope issues are covered by the terms of reference. It is acknowledged that this will be challenging and may require additional resource, particularly for dedicated project management and possible additional expert resource.

3.3.3 Principles guiding the review

- Utility and accessibility
- Plain English
- Legal compliance
- Formal project management techniques shall be applied to the review.

4. Reasons for the Recommendation

- 4.1 To ensure that the Constitution continues to comply with relevant legislation, the structure of the Authority and improves the accessibility, utility and usability of the current document.

5. Implications

5.1. Finance

The Constitution, and in particular the finance regulations, underpins the good financial governance of the Authority. The current recommendations are not sufficiently detailed to assess whether any additional resource requirements of the project can be met from the current establishment. A further report will be required if an additional cost is identified.

5.2. Legal

The Constitution underpins and provides authority for the governance arrangements of the Council. It is essential that it is maintained to comply with the duty, under the Local Government Act 2000, to keep the Constitution up to date.

5.3. Corporate Priorities

The Constitution enables delivery of the Corporate Priorities.

5.4. Other Implications

It is anticipated that the review will be completed within a 12 month timeframe covering the areas set out in the scope and Terms of Reference. It is noted that, depending on the extent of the review that additional resources, including project management, and/or time may be required. The decision to allocate additional resources would be the subject of a further report and would have to be considered in the light of the Council's priorities.

For more information contact:	Glen O'Connell Monitoring Officer 0115 314 8332 goconnell@rushcliffe.gov.uk Nigel Carter Deputy Monitoring Officer 0115 914 8340 ncarter@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1 The purpose of this report is to provide Councillors with details of the Treasury Management Strategy for 2017/18 to 2021/22.
- 1.2 The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
- 1.3 The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the Treasury Management Strategy.

2. Recommendations

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

- a) The Prudential Indicators and Limits for 2017/18 to 2021/22 contained within **Appendix A** of the report
- b) The Minimum Revenue Provision (MRP) Statement contained within **Appendix A** (paragraph 9) which sets out the Council's policy on MRP
- c) The Treasury Management Strategy 2017/18 to 2021/22 and the Treasury Indicators contained within **Appendix A** (paragraph 19 onwards).

3. Reasons for Recommendation

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

4. Supporting Information

Capital Prudential Indicators

- 4.1 **Appendix A** of this report details the Capital Prudential Indicators for 2017/18 to 2021/22.
- 4.2 The Capital Prudential Indicators highlight the following:

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

Treasury Management Strategy

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

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

Conclusion

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

5 Other Options Considered

5.1 There are no other options.

6 Risk and Uncertainties

6.1 The report covers both counterparty and interest rate risks as uncertainty prevails in the global financial markets.

7 Implications

7.1 Finance

Financial implications are covered in the body of the report.

7.2 Legal

None.

7.3 Corporate Priorities

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

7.4 Other Implications

None.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) CIPFA Treasury and Capital Management Panel Bulletin
List of Appendices (if any):	Appendix A – Treasury Management Strategy 2017/18 to 2021/22

TREASURY MANAGEMENT STRATEGY 2017/18 – 2021/22

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
2. The CIPFA Prudential Code establishes a framework designed to support local strategic planning, local asset management planning and option appraisal. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.
3. The overall prudential framework also has an impact on the Council's treasury management activities as it directly impacts borrowing and investment activity. The Treasury Management Strategy for 2017/18 to 2021/22 is included from paragraph 19.

The Capital Prudential Indicators

4. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:
 - Corporate objectives (e.g. strategic planning)
 - Stewardship of assets (e.g. asset management planning)
 - Value for money (e.g. option appraisal)
 - Prudence and sustainability (e.g. implications for external borrowing and whole life costing)
 - Affordability (e.g. implications for council tax); and
 - Practicability (e.g. the achievability of the Corporate Strategy).

Capital Expenditure Estimates

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

Table1: Projected Capital Expenditure

£'000	2016/17 Estimate	2016/17 Revised	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	18,742	26,650	15,128	6,532	2,041	1,796	1,153
Financed by:							
Capital Receipts	3,228	6,192	3,772	4,170	1,449	1,365	811
Capital Grants/Contributions	6,985	7,050	4,642	292	542	381	292
Reserves	1,874	2,527	1,754	270	50	50	50
Net Financing Need for the Year (Internal Borrowing)	6,655	10,881	4,960	1,800	0	0	0
Total	18,742	26,650	15,128	6,532	2,041	1,796	1,153

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

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

7. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure which has not yet been paid for by either revenue or capital resources. The capital expenditure above which has not been financed will increase the CFR from a negative to a positive position (i.e. the use of internal borrowing, which reduces our investment balance). MRP is as a result of borrowing in relation to the Arena development and the Asset Investment Strategy (see paragraph 33).

Table 2: CFR Projections

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement						
Opening Balance	(505)	10,376	14,336	15,086	14,036	12,986
Movement in CFR	10,881	3,960	750	(1,050)	(1,050)	(1,050)
Closing Balance	10,376	14,336	15,086	14,036	12,986	11,936
Movement in CFR represented by						
Net financing need for the year	10,881	4,960	1,800	0	0	0
Less MRP/VRP and other financing movements	0	(1,000)	(1,050)	(1,050)	(1,050)	(1,050)
Movement in CFR	10,881	3,960	750	(1,050)	(1,050)	(1,050)

8. CLG Regulations have been issued which require the Corporate Governance Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided within the Treasury Management Strategy Statement (paragraphs 30 - 33). A variety of options are provided to Councils, so long as there is prudent provision. The following MRP Statement is recommended (taking advice from our Treasury Advisors).
9. Rushcliffe Borough Council has fully financed its capital expenditure incurred before 1 April 2017. In the event of an MRP charge being required the policy for approval is:

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

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

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

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

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

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

Table 3: Expected Investment Position

Year End Resources £'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Expected year-end balances	17,500	12,000	10,700	11,750	12,200	13,000
Expected Average Investments over the year	26,200	14,000	11,500	11,000	12,000	12,600

Prudential Indicators for External Debt**Authorised Limit for External Debt**

11. The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment. The limit has been increased reflecting the requirement to borrow to finance both the Arena development and the Asset Investment Strategy.

Table 4: The Authorised Limit

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Authorised Limit	31,000	25,000	25,000	24,000	23,000	22,000

Operational Boundary for External Debt

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

Table 5: The Operational Boundary

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Operational Boundary	26,000	20,000	20,000	19,000	18,000	17,000

Prudential Indicator for Prudence

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

Gross Borrowing and the Capital Financing Requirement

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

Table 6: CFR versus Gross External Debt

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Gross Borrowing at 1 April	0	0	0	0	0	0
Other long term liabilities	0	0	0	0	0	0
Gross Borrowing at 31 March	0	0	0	0	0	0
Capital Financing Requirement						
Total CFR	10,376	14,336	15,086	14,036	12,986	11,936

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

Prudential Indicators for Affordability

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

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

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

Table 7: Ratio of Financing Costs to Net Revenue Stream

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	-2.58%	-2.15%	-2.27%	-2.39%	-2.45%	-2.57%

Incremental Impact of Capital Investment Decisions

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

Table 8: Capital Expenditure – Annual Impact on Council Tax

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Impact on Council Tax – Band D	(0.38)	(13.50)	(15.91)	(16.22)	(15.84)	(15.50)

Treasury Management Strategy Statement 2017/18 to 2021/22

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

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

Statutory and Professional Requirements

21. The above definition highlights that the treasury management service is an important part of the overall financial management of the Council’s affairs. The prudential indicators (paragraphs 1 - 18) consider the affordability and impact of capital expenditure decisions, and set out the Council’s overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. Furthermore, the Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. The Council has gone beyond this requirement, so that Councillors are fully informed of the implications on the 5 year Medium Term Financial Strategy of its Capital Programme.

22. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act, included from section 44); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, and accords with the CIPFA Treasury Management Code of Practice 2011 ('the Code').
23. The primary requirements of the Code are as follows:
- a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities
 - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
 - c) Receipt by the Full Council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid- Year Review Report and an Annual Report (stewardship report) covering activities during the previous year
 - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions
 - e) Delegation by the Council of the role of scrutiny of the treasury strategy and policies to a specific named body. For this Council the delegated body is the Corporate Governance Group.
24. The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function is based upon interest rate forecasts provided by the Council's treasury advisor, Arlingclose, combined with our expected cashflow position.

The Current Economic Climate and Prospects for Interest Rates

25. There is global economic uncertainty surrounding BREXIT and the prospect of leaving the single market as business confidence has reduced which will weaken economic growth in 2017/18 and the election of Donald Trump as US President.
26. The Bank of England base rate informs the rates that can be obtained on investments, this is expected to remain low which will result in interest rates also remaining low. Base rate is expected to remain at 0.25% throughout 2017/18 and long term interest rates are also expected to remain low. The table below shows the assumed average interest that will be made over the next five years for budget setting purposes.

Table 9: Budgetary Impact of Assumed Interest Rate Going Forward

%	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Anticipated Interest Rate	0.35	0.50	0.75	1.0	1.25
Expected interest from investments	171,500	122,500	138,300	155,000	177,500
Other interest	100,400	129,200	123,100	118,000	112,600
Total Interest	271,900	251,700	261,400	273,000	290,100

27. As previously reported in the event that a bank suffers a loss the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.
28. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £5 million and by investment diversification. There are also proposals for EU regulatory reform to Money Market Funds which could result in these funds moving to variable net asset value and losing their credit ratings. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important with these developments.

External Debt and Investment Projections 2017/18 to 2021/22

Debt Projections

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

Table 10: Debt Projections

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Debt at 1 April	0	0	0	0	0	0
Debt at 31 March	0	0	0	0	0	0
Operational Boundary	26,000	20,000	20,000	19,000	18,000	17,000

30. The capital programme assumes internal borrowing of (see section 33):
- £10,881,000 in 2016/17;
 - £4,960,000 in 2017/18; and
 - £1,800,000 in 2018/19.

31. For the Arena development, amounts of £1,000,000 are planned to be set aside from 2017/18 onwards which will be financed by the New Homes Bonus for the repayment of this debt in accordance with the statutory provisions as detailed in the MRP policy set out in section 9.

Investment projections

32. The following table highlights the expected change in investment balances:

Table 11: Investment Projections

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Investments at 1 April	35,000	17,500	12,000	10,700	11,750	12,200
Expected change in investments	(17,500)	(5,000)	(1,300)	1,050	450	800
Investments at 31 March	17,500	12,000	10,700	11,750	12,200	13,000

Borrowing Strategy 2017/18 to 2021/22

33. The Council will internally borrow a total of £17.6 million from 2016/17 to 2018/19 to finance the Arena development and the Asset Investment Strategy. Short-term internal borrowing will also be used to finance the capital programme as short-term interest rates are currently much lower than long-term rates so it is likely to be more cost effective to use internal resources.
34. By doing this, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.
35. The approved sources of long-term and short-term borrowing are:
- Internal borrowing
 - Public Works Loan Board (or the body that will replace the PWLB in the future)
 - Local authorities
 - Commercial banks
 - Money markets
 - Leasing
 - Special purpose companies created to enable local authority bond issue

Treasury Management limits on activity

36. The purpose of these indicators is to contain the activity of the treasury function within certain limits and therefore reduce the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position. As suggested in the CIPFA Treasury Management Code,

all investments (whether fixed or variable rate) with a period of less than twelve months to maturity are regarded as variable rather than fixed rate investments as they are potentially subject to movements in interest rates when they mature. Likewise, any fixed rate borrowing that is due to mature within twelve months is regarded as being at a variable rate as the rate to be paid on any replacement loan could differ from the rate currently being paid.

Upper Limits for Fixed and Variable Rate Exposure

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

Table 12: Interest Rate Exposure

%	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Fixed						
Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments over 1 year	25	25	25	25	25	25
Upper Limit for Fixed Interest Rate Exposure on Investments up to 1 year	100	100	100	100	100	100
Variable						
Upper Limit for Variable Interest Rate Exposure on Debt	100	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure on Investments	100	100	100	100	100	100

Maturity Structure of Fixed Rate Borrowing

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

Table 13: Maturity structure of Fixed Rate Borrowing

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

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

Upper Limit for Total Principal Sums Invested over 1 year

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

Table 14: Principal Sums Invested over 1 year

£'000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Upper Limit for Total Principal Sums Invested over 364 days	4,375	3,625	3,100	3,050	3,050	3,250

Credit Risk

41. The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
42. The Council also considers alternative assessments of credit strength such as information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution
 - Sovereign support mechanisms
 - Credit default swaps (where quoted)
 - Share prices (where available)

- Corporate development, news, articles, market sentiment and momentum
 - Subjective overlay
43. The only indicators with prescriptive values are credit ratings. The other indicators of credit worthiness are considered in relative rather than absolute terms.

Investment Strategy 2017/18 to 2021/22

44. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income.
45. The Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring of their security which is set out in the Specified and Non Specified investments sections below.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for funds may prudently be committed. These procedures will also apply to the Council's prudential indicators covering the maximum principal sums invested.
46. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties, however they should not rely on credit ratings alone and should recognise their limitations. Credit ratings should only be used as a starting point when considering credit risk and organisations should make their investment decisions based on all ratings issued by the main credit rating agencies.
47. Credit rating information is provided by Arlingclose on all active counterparties that comply with the criteria below. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.
48. Should a body be removed from the Council's counterparty list then any extant investment will normally be retained until the earliest date under the agreement upon which it can be reclaimed. During such a period no further investments will be made with the counterparty.

Current investments

49. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year.

Funds are separated between specified and non-specified investments as detailed below.

Specified investments

50. The CLG guidance defines specified investments as those:

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

51. The Council now defines “high credit quality” organisations as those having a credit rating of A- and above.

Non-specified investments

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

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

Table 15: Counterparty Details

	Rating body (Fitch or equivalent)	Money Limit (maximum)	Time Limit (up to)	Specified	Non-specified
UK domiciled Banks and Building Societies Unsecured	A- and above	£5m	2 years	Y	Y
UK domiciled Banks and Building Societies Secured	BBB+ to AAA	£5m	6 months to 5 years based on rating	Y	Y
Non-UK domiciled Banks	A and above	£5m	1 year	Y	N
Unrated Building Societies	Not rated	£1m	100 days	Y	N
UK Central Government	Government Secure		50 years	Y	Y
UK Local Authorities	Highly Secure Not Rated	£5m	5 years	Y	Y
UK Registered Providers of Social Housing	A-	£5m	5 years	Y	N
Money Market Funds and other pooled funds	Likely to lose credit ratings (para. 29)	£5m	N/A*	Y	Y
Corporate Bonds and bond funds	A-	£5m	5 Years	Y	Y
Funding Circle	N/A	£0.5m	5 years	N	Y
CCLA Property Fund	N/A	£2.5m	N/A**	N	Y

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

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

54. Although the above table details the counterparties that the Council could invest funds with it would not invest funds with counterparties against the advice of Arlingclose even if they met the criteria above.
55. Changes to any of the above can be authorised by the Section 151 Officer or the Deputy Section 151 Officer and thereafter will be reported to the Corporate Governance Group. This is to cover exceptional circumstances so that instant decisions can be made in an environment which is both fluid and subject to high risk.

Treasury Management Advisors

56. The Council uses Arlingclose as its treasury management advisors. The company provides a range of services which include:
- Technical support on treasury matters and capital finance issues
 - Economic and interest rate analysis
 - Generic investment advice on interest rates, timing and investment instruments; and
 - Credit ratings/market information service comprising the three main credit rating agencies.
57. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Councillor and Officer Training

58. The increased Councillor consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date requires a suitable training process for Councillors and officers. The Council will address this important issue by:
- Periodically facilitating workshops for Councillors on finance issues
 - Interim reporting and advising Members of Treasury issues via the Corporate Governance Group
 - Identifying officer training needs on treasury management related issues through the Performance Development and Review appraisal process
 - Officer attendance at training events, seminars and workshops; and
 - Support from the Council's treasury management advisors.

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 31 December 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:

- a) the projected revenue and capital budget positions for the year of £28,000 efficiency savings and £9.551 million from capital scheme re-phasing;
- b) the recommendation to Cabinet for the carry forward of the anticipated underspend of £1.4 million for the Nottinghamshire County Cricket Club loan; and
- c) the update on financial performance with regards to The Point.

3. Reasons for Recommendation

- 3.1. To demonstrate good governance in terms of scrutinising the Council's ongoing 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 31 December 2016 attached at **Appendix B**. This shows an underspend against profiled budget to date of £238,000 and projected efficiency savings for the year of £28,000. This could improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.

4.2 Update on The Point

- 4.2.1 At the previous Corporate Governance Group meeting a request was made to provide an update on The Point investment. This is currently 80% occupied with a high calibre of tenants. As detailed below, it is not only making a positive contribution to the Authority's finances, but is an

asset that has, since acquisition, also shown a significant increase in value.

4.2.2 At present, it is estimated that the rate of return for 2016/17 will be 8% which compares to a current average rate of return on investments of 0.58%.

4.2.3 It is also important to note that since acquisition, the value of The Point has increased by just over 26% to £2.5 million.

4.3 As documented at **Appendix B**, the financial position to date reflects a number of positive variances including employee cost savings; the lack of current calls made on the contingency budget; and additional green waste income. There are several negative variances, including a fall in expected planning income, particularly due to a reduction in solar farm applications and an adjustment to the leisure centre contract costs.

Capital Monitoring

4.4 The updated Capital Programme monitoring statement as at 31 December 2016 is attached at **Appendix C**. A summary of the projected outturn and funding position is shown in the table below:

CAPITAL PROGRAMME MONITORING - DECEMBER 2016			
EXPENDITURE SUMMARY	Current Budget £000	Projected Actual £000	Projected Variance £000
Transformation	11,034	4,271	(6,763)
Neighbourhoods	1,889	901	(988)
Communities	327	257	(70)
Finance & Corporate Services	14,560	13,070	(1,490)
Contingency	240	0	(240)
	28,050	18,499	(9,551)
FINANCING ANALYSIS			
Capital Receipts	(4,903)	(2,762)	2,141
Government Grants	(4,746)	(1,648)	3,098
Other Grants/Contributions	(2,293)	(1,321)	972
Use of Reserves	(2,527)	(1,127)	1,400
Internal Borrowing	(13,581)	(11,641)	1,940
	(28,050)	(18,499)	9,551
NET EXPENDITURE	-	-	-

4.5 The original Capital Programme of £18.7 million has been supplemented by a net brought forward and in-year adjustments of £9.3 million giving a revised total of £28 million. This is an ambitious capital programme which will see completion of two major redevelopment schemes: Bridgford Hall and the Arena. A Capital Contingency sum of £250,000 has been included to allow for flexibility in the programme of which £240,000 is unallocated at period 9.

4.6 There are a number of capital variances detailed in **Appendix C** including:

4.6.1 Transformation

A £2.5 million underspend on the Land North of Bingham scheme as it is unlikely that works will commence this financial year so the budget will need to be re-profiled.

A £4 million underspend is anticipated on the Cotgrave Masterplan and Multi-service centre and the Cotgrave Employment Land scheme, provisions have been rephased with completion expected in 2017/18.

4.6.2 Neighbourhoods

An underspend of £659,000 on the Support for Registered Housing Providers scheme 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.

4.6.3 Finance and Corporate Services

As discussed previously a rephasing of the Nottinghamshire County Cricket Club loan resulting in a £1.4 million underspend.

Summary

4.7 The report overall projects an overall overspend for revenue and capital scheme budget re-phasing. It should be noted opportunities and challenges can arise during the year 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 Councillors 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:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Nil
List of appendices (if any):	Appendix A – Revenue Outturn Position 2016/17 – Quarter 3 Appendix B – Revenue Variance Analysis Explanations Appendix C – Capital Programme 2016/17 – Quarter 3 Position

Revenue Outturn Position 2016/17 – Quarter 3

	Q3 Position - excl recharges			Total Costs				Main 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	533	519	(14)	2,738	2,973	235	9	Reduction in large scale planning applications
Finance and Corporate Services	16,003	16,016	13	3,682	3,574	(108)	(3)	Contingencies not called upon
Neighbourhoods	2,144	2,009	(135)	4,709	4,624	(86)	(2)	Green waste income above target
Transformation	1,674	1,572	(102)	306	276	(30)	(10)	Staffing savings across the services
Net Service Expenditure	20,354	20,116	(238)	11,435	11,446	11	0	
Capital Accounting Adjustments				(1,591)	(1,588)	3	0	
Revenue contribution to capital				158	158	0	0	
Transfer to/(from) Reserves				1,033	1,061	28	0	Revenue overspend £11k, S31 grants £97k, SBRR (£60k), Additional NHB £5k
Total Net Service Expenditure				11,035	11,077	42	0	
Central Government Grant				(1,064)	(1,064)	0		
Localised Business Rates (includes SBRR)				(2,072)	(2,012)	60		SBRR income less than budgeted for
Collection Fund Surplus				(79)	(79)	0		
Council Tax Income				(5,753)	(5,753)	0		
Specific Grants (including NHB)				(2,067)	(2,169)	(102)		S31 grants (New Burdens £27k, Transition Grant £34k, IER £20k)
Council Tax Freeze Grant				0	0	0		
Total Funding				(11,035)	(11,077)	(42)	0	
Gross Budget Deficit				(0)	(0)	0	(0)	

Revenue Variance Explanations (over £15k)

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	186
Building Control - September report from S Kesteven highlighted reduction in income	43
Finance & Corporate Services	
Corporate Management - Removal of essential car use allowance slightly delayed and increase in bank charges due to increase in volume of payments	79
Leisure Centres - Leisure Centre Contract Adjustments and South Kesteven DC charge for inspections which is offset by salary savings	111
Edwalton Golf Courses - Renegotiated contract	39
Neighbourhoods	
Homelessness - CBL software upgrade and increase in emergency accommodation expenditure	31
Environmental Protection - Agency costs offset by salary saving	22
Waste Collection & Recycling - Agency costs to cover sickness and vacancies	18
Transformation	
Office Accommodation - Professional costs associated with disposal of the Civic Centre	35
Total Adverse Variances	584

FAVOURABLE VARIANCES	Projected Outturn Variance £'000
Communities	
Local Development Framework - Local Plan expected to slip with possible carry forward into 2017/18	(16)
Young - Savings due to vacancies	(28)
Development Control - Salary savings	(24)
Finance & Corporate Services	
Finance – Staff vacancies and additional income from NSDC insurance work	(54)
EMT - Restructuring savings	(28)
Contingencies - Contingency dependant on risks identified	(119)
Revenues & Benefits - Staff vacancies	(65)
Leisure Centres - Staff savings	(43)
Car Parks - Decriminalisation surplus	(67)
Neighbourhoods	
Homelessness - Full occupancy of hostel	(20)
Taxi Licensing - Income up on budget	(19)
Food Hygiene - Savings from restructure	(17)
Waste Collection & Recycling - Green waste income above target	(93)
Transformation	
Business Support Unit - Underspend on staff costs	(25)
EMT Support - Staff savings due to maternity leave and secondment	(22)
Economic Development - Staff savings offset by reduction in Cotgrave Precinct rents	(29)
Property Services - Savings on agency costs	(20)
Investment Properties - Additional rental income at The Point offset by reduced income from Exeid and Civic Landlord	(18)
Total Favourable Variances	(707)
Sum of Minor Variances	134
TOTAL VARIANCE	11

Capital Programme 2016/17 – Quarter 3 Position

CAPITAL PROGRAMME MONITORING - DECEMBER 2016							Reasons for variances
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance	
		£000	£000	£000	£000	£'000	
TRANSFORMATION							
Cotgrave Masterplan and Multi Service Centre	2,558	2,913	813	382	582	(2,331)	Scheme rephased due for completion 2017/18
Land North of Bingham	2,800	2,800	0	0	300	(2,500)	It is unlikely that works will commence this financial year so the underspend will need to be carried forwards
Eaton Place Toilet Improvements	33	33	30	21	33	0	
Colliers Way Industrial Units	0	20	0	0	0	(20)	Slippage of the scheme to 2017/18
Cotgrave Employment Land	2,642	2,642	1,775	412	925	(1,717)	Scheme rephased due for completion 2017/18
Bridgford Hall Refurbishment	1,410	2,192	1,080	1,350	2,192	0	It is anticipated that this project will be completed by the end of the financial year
Civic Centre Enhancements - General	0	50	0	0	0	(50)	No schemes have been identified for health and safety enhancement works
Nottinghamshire Broadband IS Strategy	83	83	83	83	83	0	
	107	301	75	119	156	(145)	An assessment will be made at year end regarding the required carry forward
	9,633	11,034	3,857	2,368	4,271	(6,763)	
NEIGHBOURHOODS							
Support for Registered Housing Providers	250	659	0	10	0	(659)	No schemes have been identified
Wheeled Bins Acquisition	60	60	60	54	60	0	
Disabled Facilities Grants	521	475	356	349	409	(66)	Underspend can be returned to contingency at year end
Discretionary Top Ups	0	130	0	2	70	(60)	Underspend can be returned to contingency at year end
Handyperson Adaptation Service	0	0	0	0	0	0	
Assistive Technology	0	12	0	11	12	0	
Vehicle Replacement	981	553	150	165	350	(203)	This underspend arises from efficient management of the programme and will be required in 2017/18
	1,812	1,889	566	591	901	(988)	

CAPITAL PROGRAMME MONITORING - DECEMBER 2016							
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance	
		£000	£000	£000	£000	£'000	Reasons for variances
COMMUNITIES							
Community Partnership Reward Grants	0	25	25	25	25	0	
Nottinghamshire Cricket Club - Grant	90	90	0	0	90	0	
Capital Grant Funding	48	128	96	69	108	(20)	Grant applications are still being processed so commitments will be managed accordingly
Play Areas/Special Expense	50	50	0	0	0	(50)	The options for works at Boundary Road and Greythorne Drive have not yet been scoped
West Park Fencing and Drainage	34	34	0	0	34	0	
	222	327	121	94	257	(70)	
FINANCE & CORPORATE SERVICES							
Car Park Pay and Display Machines	60	60	15	1	60	0	
BLC Artificial Turf Pitch	165	215	205	171	215	0	
Rushcliffe School Contribution	90	90	0	0	0	(90)	This budget will be returned to contingency at year end as expenditure will be managed through the revenue budgets
Arena Car Park Improvements	55	55	0	0	55	0	
Arena Development	6,555	10,865	10,405	10,132	11,365	500	Works are substantially complete variance will be met by accelerating the 2017/18 budget provision
NCCC loan 2015-16	0	2,700	1,350	367	1,300	(1,400)	Provision to be formally rephased by Cabinet as part of this report
EGC Upgrade Facilities	0	75	0	0	75	0	
Asset Investment Strategy	0	500	0	0	0	(500)	No projects have been identified
	6,925	14,560	11,975	10,671	13,070	(1,490)	
CONTINGENCY							
Contingency	150	240	0	0	0	(240)	
	150	240	0	0	0	(240)	
TOTAL	18,742	28,050	16,519	13,724	18,499	(9,551)	

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
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 • Terms of Reference Constitution Review Panel • Information Governance • Payment Diversion
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 • Review of Constitution

Date of Meeting	Item
22 June 2017	<ul style="list-style-type: none"> • Internal Audit Annual Report 2016/17 • Health and Safety Annual report • Annual Governance Statement • Review of Constitution • Corporate Governance Group Annual Report 2016/17
13 September 2017	<ul style="list-style-type: none"> • Statement of Accounts 2016/17 • External Auditors Annual Governance Report 2016/17 • Review of Constitution • Treasury Management Outturn 2016/17 • Revenue & Capital Budget Monitoring
5 December 2017	<ul style="list-style-type: none"> • Internal Audit Progress Report 2016/17 • Health and Safety Interim Report • Treasury Management 2016/17 – Six Monthly Update • Risk Management Update • Annual Audit Letter • Review of Constitution • Revenue & Capital Budget Monitoring

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:	Constitutional Services 0115 914 8482 Constitutionalservices@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None