



NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
THURSDAY 9 FEBRUARY 2017

Held at 7.00 pm in Council Chamber B, Rushcliffe Arena, Rugby Road, West Bridgford

PRESENT:

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

ALSO IN ATTENDANCE:

A Bush	KPMG
N Hankinson	RSM
C Williams	RSM

OFFICERS PRESENT:

A Graham	Chief Executive
A Hall-Wright	Financial Services Manager
P Linfield	Executive Manager - Finance and Corporate Services
V Nightingale	Constitutional Services Officer
G O'Connell	Monitoring Officer
K Powell	Chief Information Officer

APOLOGIES FOR ABSENCE:

Councillors A M Dickinson, A J Edyvean, S C Matthews

29. Declarations of Interest

There were none declared.

30. Notes of the Previous Meeting

The notes of the meeting held on Thursday 1 December 2016 were accepted as a true record. With regard to the actions raised it was noted that the Annual Audit 2015/16 Letter had been placed on the Council's website as requested; however, Councillors asked that a link be placed on the financial section of the site to allow more opportunities for people to access the document.

31. Certification of Grants and Returns 2015/16

Mr Bush presented the external auditor's annual report regarding the certification of grants and returns. He explained that an audit of benefit claims had been undertaken, which had resulted in a good outcome. The audit had followed a prescribed approach and three errors had been identified. He was pleased to say that these were isolated incidents and had resulted in a very small number of incidents occurring. He also stated that there had been a good working relationship with the finance team. Following a question, the

Executive Manager - Finance and Corporate Services explained that adjustments had been made to the claims involved.

The Group felt that this was a very good outcome and asked that the staff involved were congratulated.

AGREED that the Corporate Governance Group accepted the report.

32. Internal Audit Progress Report 2016/17

Mr Williams presented the Internal Audit's second progress report for the year. He stated that they were on track to deliver the agreed programme by mid March 2017. He highlighted the audits that had been undertaken since their first report and was pleased to say that they had all qualified for a good opinion. These audits had been undertaken on important areas of the Council's financial areas and systems. There had been no high, and only one medium, priority findings; there had been a range of low priority findings which related to housekeeping which had all been accepted by managers.

The Group discussed the medium priority finding and were informed that the Constitution contained the terms of references for the Council's groups and committees except the Strategic Growth Board and that it had been accepted that these should be included. He also said that auditors would follow-up that the recommendation had been actioned later in the year.

AGREED that the Corporate Governance Group notes the Internal Auditor's second Progress Report for 2016/17.

33. Payment Diversion

The Group received a presentation from Mr N Hankinson, from RSM's fraud services team, regarding an incident that had occurred in November 2016. He explained that the Council had been the victim of a payment diversion fraud of £14,952; and that his team had been invited in by the Chief Executive to look at all the facts and identify any issues. A compliance review had been undertaken and relevant staff interviewed. One of the key objectives was to ensure that no member of staff had committed fraud and to look at the processes involved. He was pleased to say that no actions of fraud had been identified by any Council employee. A bogus email had been received and had purportedly been created by the Chief Executive. It was noted that the officer had previously been targeted several times and that these had been identified as bogus and appropriate action taken. It was noted that the Council did not record these types of emails although a number had been flagged; the policy had been reviewed and all future emails would be recorded and reported.

Following the review three actions had been agreed; all staff would be reminded of vigilance, a 'check with sender' communications plan developed to raise awareness and the corporate message be reinforced.

Mr Hankinson stated that the Council's filter system had not blocked this particular email. The auditors had noted that the Council was in a tri partite arrangement with Broxtowe Borough Council and Newark and Sherwood District Council. Of the three different filtering systems only one had blocked

the bogus email. Work had been undertaken with the Chief Information Officer and a system had been put in place to ensure that all fraudulent emails were reported and recorded; these would then be passed to the Council's filter providers and to the other two Councils in the ICT partnership. The Chief Information Officer explained that each authority had different filtering systems and that these systems were dynamic but could also be updated through the ICT team contacting the providers directly.

With regard to the creation of the payment the review had concluded that the payment had been created and authorised correctly in line with the Council's procedures; as it had been carried out by staff who were comfortable with the process. However, the auditors had requested that a review of the operational procedures should be undertaken, especially in relation to ad-hoc/emergency payments.

Mr Hankinson stated that one of the key issues was why there had been no challenge to the request. It was noted that one member of staff had felt unable to challenge the request. It had been agreed that facilitated workshops and training would be procured to support the introduction of a revised culture based upon challenge and transparency.

With regard to raising awareness of fraud with staff the audit had found that the Council was very proactive and that this was carried out in a variety of ways, including Staff Matters, leaflets, screensavers, reminders and on line training both mandatory and voluntary. However, it had now been agreed that the training would be mandatory for every member of staff who would be involved in making payments, depending on the level of risk.

Following a question, Mr Hankinson informed the Group that RSM had investigated three incidents in the last six months and that this had been for the lowest amount. He stated that most public bodies received these types of emails and that fraudsters were very knowledgeable regarding processes and the fact that lower amounts would not be subject to such vigorous checks. The Chief Executive assured Councillors that this incident had been reported to the Police, and due to the prompt action taken upon realisation a fraud had been committed that the amount of £11,172 had been received back from the bank.

The Group was concerned that no challenges had been made and noted that the report had stated that one person felt unable to challenge the instruction. The Chief Executive stated that this had concerned him and that, although there always could be individual issues, he did not believe there was a cultural or endemic issue and this was supported by the the staff survey results. He also said that this was an incident, from a service area that had been going through transition, and needed to be considered in context. The Group agreed that they did not feel there was an issue. The Chief Executive stated that those staff involved would receive a written communications containing advice regarding the various routes that they could use to raise concerns, including their line manager, member of the Executive Management Team, Human Resources or even himself.

With regard to the agreed action plan the Group was informed that this would be reviewed as part of the Management Team's weekly meetings and that the

relevant training would be incorporated into people's personal development reviews.

The Chairman felt that it had been important that this incident had been presented to the Group and that it had been dealt with appropriately and very professionally. The Council had received an unbiased view from RSM and that lessons had been learnt.

In conclusion, the Chief Executive stated that the staff concerned had been affected by this incident and that it was important that it had been dealt with in a transparent manner. He informed the Group that the external auditors had also been consulted to ensure that every aspect was considered. He thanked Councillors for their support of the actions carried out.

34. Information Governance

The Chief Information Officer gave a presentation regarding the importance of information management and the Council's Information Management Strategy. He highlighted the Strategy's vision and the five strategic strands that supported it. He explained that the Information Commissioner's Office monitored organisations particular in relation to data protection. He gave examples of fines that had been incurred by different public bodies and private organisations; two of the examples related to data that was being moved on unencrypted devices. He assured Councillors that the Council's memory sticks, phones and mobile devices were all encrypted. With reference to the previous item the Group was informed that private sector companies were fined for unsolicited emails.

The Group was informed that there was a large demand for the exploitation of data especially with the growth of online services, and that information had to be reliable and secure. He highlighted the risks from malware and viruses and from natural occurrences such as fire and flood. He was pleased to say that at Rushcliffe there was a clear desk policy which created a good environment and reduced risks; the same approach would soon be adopted by Newark and Sherwood District Council and later by Broxtowe Borough Council.

The Chief Information Officer explained how the Information Strategy complemented the Council's priorities and themes. He stated that the Council had approximately 50 information systems and that technology provided a layer of armour to protect these. He highlighted the seven principles and which officers were responsible for each.

Finally, he outlined how the Strategy operated. He highlighted the communications plan including the 'at a glance' leaflets; screen savers, e-learning, email reminders and staff matters articles, how the Council maintained compliance with relevant standards and how the Council continued to work with organisations to develop and improve arrangements.

With regard to the ISO 27001 standard the Group asked if the Council was accredited. The Chief Information Officer stated that the Authority maintained compliance with the standard and that all the management tools did fit within the ISO framework. The Council was certified against the Public Sector Network and Payment Card Industry Data Security Standards systems which

were both necessary for the Authority to be able to operate; he confirmed that none of the ICT partnership authorities were ISO accredited. Some Councillors felt that officers should reconsider being accredited as this would ensure that the Council was being proactive and that cost should not be a factor. The Chief Executive agreed to review the situation; however, he reminded Councillors that there were many standards that the Council could achieve including Investors in People and the BREEAM standard for the new building. He assured the Group that each one had been considered and a balanced approach taken.

The Group discussed the need for passwords and the fact that there should be a reminder sent allowing people to be able to change their passwords in a reasonable amount of time. The Chief Information Officer stated that Microsoft had made a change to the system. The Chief Executive stated that this would be addressed by Constitutional Services.

In conclusion, the Chairman stated that this was an important area of work and he asked that this should be included in the Group's work programme for an annual update.

AGREED that the Corporate Governance Group had noted the contents of the report and the presentation.

35. Update on Review of the Constitution 2017

The Monitoring Officer presented a report outlining the terms of reference for the Member Panel that had been set up by the Group at its last meeting. He informed the Group of the informal meeting of the Panel that had taken place to discuss the approach to be taken and the timescale. He stated that the Constitution was a working document and had been introduced as part of the Local Government Act 2000; this enabled authorities to bring together their existing regulations and policies. He outlined how the document could be made easier to navigate and the key priority areas including consideration of Plain English.

Councillor Beardsall, Chairman of the Member Panel, was disappointed that he had not received the notes of the meeting and that the report did not contain references to a list of changes that were taking place by other groups/officers and a timeline of what would be discussed at what time; both of which had been agreed at the first meeting. He pointed out that the timeframe was challenging and it had been agreed to survey Councillors for their availability which had not been undertaken. The Monitoring Officer stated that officers understood that these had been agreed, however the timescale for completing the report to the Corporate Governance Group had been extremely challenging. The Chief Executive stated that this was an ambitious task and that officers were working on the timescale, however, it was important that the terms of reference were agreed first. He reminded Councillors that if they felt that items had been omitted they could approach the officer concerned, or himself, before the meeting to resolve any issues. He confirmed that officers were looking to the Local Government Association to identify excellent constitutions. Following a question regarding the Deputy Monitoring Officer the Chief Executive explained that, at present, he was overseeing the production of the Council Tax bills.

Following consideration it was agreed to include the item that had been omitted into the terms of reference.

AGREED 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, including the agreed changes.

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

The Financial Services Manager presented the report outlining the three strategies. She stated that the capital prudential indicators highlighted the projected capital expenditure plans, the Council's borrowing need, the ongoing impact, and affordability, of the capital programme on the investment balance, and the estimates, level and limits of future debt. The Minimum Revenue Provision Policy Statement would indicate how any borrowing would affect the revenue account. She stated that, due to the Arena project and the Asset Investment Strategy the Council would need to borrow in 2017/18 and 2018/19; the Group noted that this would be internal borrowing only.

With respect to the Capital Financing Requirement the Council needed to ensure that the Council's debt did not exceed the previous year's total. The Group noted that as there was no external borrowing predicted that this indicator would be complied with.

In respect of the prudential indicator for affordability the Group were informed that, at present, the Council was earning more interest than it was being charged, which was as a result of only borrowing internally. The Financial Services Manager explained that the Statement gave a brief outline of the current economic climate and proposed interest rates. It was noted that last year it had been expected that interest rates would move, however, due to the Brexit vote, the rate had reduced to 0.25%, which had not been predicted. Presently, it was expected that interest rates would remain low for the next five years. The Group was informed that, as investments matured it was not anticipated that the Council would be able to obtain similar rates of return.

With regard to the Investment Strategy the Group were informed of the Council's counterparties and the amount of money that could be invested with them and the timeframe for investment. Officers stated that they received regular advice from Arlingclose, the Council's Treasury Management Advisers, on the validity of investing with various bodies. Councillors noted the excellent training that they had received from Arlingclose.

AGREED that the Corporate Governance Group had scrutinised 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 Minimum Revenue Provision; and
- c) The Treasury Management Strategy 2017/18 to 2021/22 and the Treasury Indicators contained within Appendix A (paragraph 19 onwards).

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

The Executive Manager - Finance and Corporate Services presented the Quarter 3 update in respect of the 2016/17 revenue and capital budget monitoring. Following a request from the Group at its last meeting the report gave an update on the Council's investment at The Point. He stated that the revenue budget was on course and that there was a projected saving of £28,000 for the year. He highlighted the adverse variances including the reduction in income from planning applications and building control services; it was noted that these both related to growth which was slow at present. Another variance was due to the renegotiated contract at Edwalton Golf Course.

With regard to the capital expenditure it was anticipated that there would be an underspend of approximately £9.5 million. Officers explained that the majority of this was due to the large growth schemes that would come to fruition in the next 18 months. The Group noted that there had been draw down on the Nottinghamshire County Cricket Club loan which would total £1.3 million by the end of the financial year.

In respect of The Point Councillors were informed that this had an average 80% occupation rate, with a rate of return of 8% for the financial year. The Executive Manager - Finance and Corporate Services stated that this demonstrated the Council's vision to be self-financing in the future. The Group was informed that the asset's value had risen by 26%. Following a question the Group was informed that Council had a qualified in-house valuer and that any valuations were checked by the auditors.

Councillors asked about the expected uplift from the development at Sharphill. Officers stated that development was not sufficiently advanced at present and that this was included in the Statement of Accounts.

AGREED 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.

38. Work Programme

The Group considered and agreed its work programme. It had been agreed that Information Governance would be included as an annual item.

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
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

Date of Meeting	Item
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

The meeting closed at 9.10 pm.

Action Sheet**CORPORATE GOVERNANCE GROUP - THURSDAY 9 FEBRUARY 2017**

Minute Number	Actions	Officer Responsible
30. Notes of the Previous Meeting	Officers to place a link to the Annual Audit 2015/16 letter on the financial section of the Council's website.	Financial Services Manager
31. Certification of Grants and Returns 2015/16	None.	
32. Internal Audit Progress Report 2016/17	None.	
33. Payment Diversion	None.	
34. Information Governance	a) Email reminders regarding password expiry to be sent to Councillors. b) Information Governance to be included as an annual item on the Group's work programme.	Constitutional Services
35. Update on Review of the Constitution 2017	Officers to include the agreed changes in the terms of reference.	Monitoring Officer
36. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/18	None.	
37. Revenue and Capital Budget Monitoring 2016/17 – Quarter 3 Update	None	
38. Work Programme	Annual update on Information Governance to be included on the Group's work programme.	Constitutional Services

Response Sheet

CORPORATE GOVERNANCE GROUP - THURSDAY 9 FEBRUARY 2017

Minute Number	Actions	Officer Responsible	Response
30. Notes of the Previous Meeting	Officers to place a link to the Annual Audit 2015/16 letter on the financial section of the Council's website.	Financial Services Manager	
34. Information Governance	<p>a) Email reminders regarding password expiry to be sent to Councillors.</p> <p>b) Information Governance to be included as an annual item on the Group's work programme.</p>	Constitutional Services	b) This has been included in the Group's programme.
35. Update on Review of the Constitution 2017	Officers to include the agreed changes in the terms of reference.	Monitoring Officer	
38. Work Programme	Annual update on Information Governance to be included on the Group's work programme.	Constitutional Services	This has been included in the Group's programme.