

## **Corporate Governance Group**

### **Chairman's Foreword**

This brief foreword looks back on the busy year of the Corporate Governance Group in 2017/18. It has been an interesting and challenging role, particularly in these changing times and a period of on-going financial austerity; however, I am pleased to report that due to the dedication of the staff the Council has had a successful year which reflects well on the governance arrangements in place.

The scrutiny process is vital to challenge and influence how the Council makes decisions to ensure a high service quality. This report demonstrates the variety of areas which the Corporate Governance Group has scrutinised over the past year and the actions taken to ensure the probity and soundness of the Council's decision making. The group over the past year have judiciously and robustly scrutinised the Council's finances, approach to risk, as well as other corporate issues including associated financial implications such as the Council's pension liability. We also set a working group to review the Council's Constitution, and via this process we have made a significant impact developing the proposals for the introduction of public speaking at Cabinet and Council meetings and the ensuing increased transparency that this brings; and have made the Constitution fit for purpose and becoming more relevant for councillors, officers and residents.

Councillor Kevin Beardsall  
Chairman Corporate Governance Group



**Councillor Kevin Beardsall**  
**Chairman**



**Councillor George Davidson**  
**Vice Chairman**

## What we are responsible for?

The Corporate Governance Group's responsibilities include:

- **Statement of Accounts** To examine the outturn and statement of accounts and make comments and recommendations to Council.
- **Annual Governance Statement** To consider the annual report on applying the Council's system of internal control and make recommendations to Cabinet on improvements/changes in practice and the acceptance of a draft Statement. This statement ultimately comprises a key element of the Council's Statement of Accounts.
- **Treasury Management** To consider the annual and interim reports on Treasury Management activity and ensure that practice has complied with the approved Treasury Management Strategy, making recommendations to Cabinet as appropriate. Including changes to the Treasury and Capital Codes of Practice, which includes how we account for Commercial Investments.
- **Protecting against fraud** To consider the annual report on fraud and irregularities in order to make an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements. To consider any matters arising as a result of irregularity referred to it by Cabinet.
- **Capital and Revenue Budget Monitoring** To consider regular reports on progress against the revenue and capital budget, making recommendations to Cabinet on matters requiring its approval and where progress is considered to be unsatisfactory.
- **Internal Audit** To consider periodic reports on the more significant findings of internal audit in order to make an informed judgement on corporate governance and internal control statements, making recommendations to Cabinet on improvements.
- **Risk Management** To consider periodic reports on controls over key risk areas as identified in the risk register in support of making an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements.

## Our work this year

During this year the Group considered many service areas and issues within its scrutiny role, particularly:

- Internal Audit including Progress Report 2017/18, Annual Report 2017/18 and Strategy 2018 - 2021
- External Audit Plan 2017/18
- Local Government Pension Scheme (LGPS) and the Nottinghamshire Pension Fund

- Capital and Investment Strategy 2018/19
- Annual Governance Statement
- External Auditors Report to Those Charged with Governance 2016/17
- Approval of the Statement of Accounts 2016/17
- Annual Audit Letter
- Revenue and Capital Budget Monitoring 2017/18
- Risk Management Review and Emergency Planning
- Health and Safety Annual Report 2016/17 and Interim Report
- Certification of Grants and Returns
- Treasury Management outturn and mid-year report
- Implementation of GDPR
- Progress report on ISO27001
- Review of the Constitution

## **Internal Audit**

### **Internal Audit Progress Reports 2017/18**

The Group received three progress reports on the internal audit plan throughout the year. Members of the Group were pleased to note when they received the final report that the audit plan, which contained 14 assignments had been completed on time and that all assignments had received a positive assurance.

### **Internal Audit Annual Report 2017/18**

Mr Chris Williams, Head of Internal Audit at RSM, the Council's internal auditors, attended the May meeting of the Group and presented the Council's Internal Audit Annual Report 2017/18. It was noted that the report was the last report for the financial year and showed that all audits had been completed for the year, along with the recommendations made. The report highlighted the completion of the Internal Audit Plan for 2017/18 in accordance with the Public Sector Internal Audit Standards. Members of the Group were advised that RSM had concluded that the Council had an adequate and effective framework for risk management, governance and internal control.

The Group considered the report and questioned on what basis were areas considered for audit sampling and how far audits were planned. Members of the Group were advised that the plan was flexible and provided a broad spectrum for internal audit for which a 3-year plan was sufficient.

### **Internal Audit Strategy 2018 to 2021**

The Group received for approval the proposed Internal Audit Strategy 2018/19 – 2020/21. The audit plan had been developed with regard to the Council's corporate objectives, risk profile and assurances framework, as well as other factors affecting the Council in the year ahead, including changes within the public sector. Members of the Group welcomed and approved the adoption and implementation of the strategy.

## **External Audit Plan 2017/18**

Mr Andrew Bush, a Director at KPMG, the Councils external auditors, provided a report for the Group that summarised their plan for external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2017/18.

Mr Bush highlighted a number of risks concerning the audit, focusing on both financial statements and value for money. Mr Bush provided examples in respect of pension liability, financial resilience and ensuring that the Council's accounts were closed down in a timely manner given the tighter constraints for their completion in the new legislation commencing this year.

The Executive Manager – Finance and Corporate Services provided supporting information and noted that due to new legislation the audit cycle had now changed which meant that Statement of Accounts was now required to be approved by Council by the end of July, rather than by the end of September, as in previous years. Members of the Group welcomed the contents of the External Audit Plan and asked several detailed questions on its content.

## **Capital and Investment Strategy 2018/19**

Members of the Group received a report detailing the Capital and Investment Strategy for 2018/19 to 2022/23 that replaced the Treasury Management and Capital Strategies approved by Full council in previous years.

A report detailing the Capital Prudential Indicators, Minimum Revenue Provision (MRP), Treasury Management Strategy and Commercial Investments were attached to the officer's report and highlighted the future position of the Council's Capital, Commercial Investments and Treasury plans. The report identified the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments.

The Chairman and members of the Group welcomed the Investment Strategy and noted that it provided a robust spread of risk across the Council's investments and thanked officers for their efforts in creating the strategy.

## **Annual Governance Statement**

The Group received the Annual Governance Statement 2017/18 in accordance with the Accounts and Audit Regulations 2015.

Members of the Group were provided with information and an analysis of the significant governance issues covered in the statement as well as what remedial action would be taken in order to address the risks identified. Members of the Group were satisfied that an action plan addressing issues and risks would be incorporated into the final version of the Annual Governance Statement which would be considered by the Corporate Governance Group, alongside the Statement of Accounts 2017/18 at its meeting in July 2018.

## **External Auditors Report to Those Charged with Governance 2016/17**

Mr Andrew Bush of KPMG presented the Group with the External Auditor's Report to those Charged with Governance 2016/17. The report provided a summary of the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2017 as well as an assessment of the Council's arrangements to secure value for money in its use of resources. Members of the Group were pleased to note that there were no major issues to report and that any matters outstanding were on schedule for successful completion.

## **Approval of the Statement of Accounts 2016/17**

The Statement of Accounts for 2016/17, along with the draft management representation letter was presented to the Group for their approval in advance of being presented at Full Council. Members of the Group were advised that the past year had been particularly challenging for the Finance Team due to the disposal of the Civic Centre and the valuation of the Council's new offices at Rushcliffe Arena. Members were also advised that the increased levels of the Council's various reserves was to deal with future potential risks such as the impact of the United Kingdom leaving the European Union, changes to New Homes Bonus and the localisation of business rates. Members of the Group were satisfied with the actions being taken to mitigate future financial risks, but expressed concern about the Council's ongoing pension liabilities and requested that a representative from Nottinghamshire County Council, who administer the local government pension scheme and the Nottinghamshire Pension Fund, be invited to a future meeting of the Group to provide further information on this issue of concern.

## **Annual Audit Letter**

Members of the Group received the Annual Audit Letter that concluded that no significant issues had arisen during the 2016/17 financial year.

## **Revenue and Capital Budget Monitoring**

The Group received three revenue and budget monitoring reports during the year. At the September meeting the group considered the budget position for both revenue and capital as of 30 June 2017. The Financial Services Manager outlined the key areas of the report and advised that there were currently projected revenue and capital budget surpluses for the year comprising of £12,000 revenue efficiencies and £2,425,000 from capital scheme rephrasing and potential savings. It was noted that this position could improve throughout the remainder of the year as managers continued to drive cost savings, and raise income, against existing budgets. The Financial Services Manager advised that the net efficiency of £2.4 million was mainly due to Highways England not awarding the £1.7 million funding for the A46 RAF Newton Footbridge and re-profiling the of the NCCC loan to align with the anticipated project spend this year by NCCC (which was £0.478m).

Members asked about the status of the Council's loan to Nottinghamshire County Cricket Club. The Group was in agreement that the loan and the Council's support of

the Club was vital in order to fully realise the economic and business benefits that having a world class sporting venue, hosting high profile matches brought to the Borough.

At the December 2017 meeting the Group considered the position for both revenue and capital budgets as at 30 September 2017. The report highlighted the purchase of the new investment property at Bardon and the benefits and risks associated with it. The Executive Manager – Finance and Corporate Services advised the group that currently there were projected Revenue and Capital budget savings for the year made up of £193,000 revenue efficiencies and £7,439,000 from capital scheme re-phasing as well as from identified potential savings. The Group recommended to Cabinet at this meeting to remove £5.75m from the 2017/18 Capital programme, as provisions for the original schemes at Land North of Bingham and RAF Newton were no longer required. This recommendation was subsequently approved by Cabinet.

At the February 2018 meeting the Group considered the Council's budget position for revenue and capital as at 31 December 2017 and were advised of projected efficiency savings of £193,000 and additional funding of £197,000 for the year. It was noted that these could improve further throughout the remainder of the year as managers continued to drive cost savings, and raise income against existing budgets. The Financial Services Manager advised that the Council's financial position to date reflected a number of positive variances including employee cost savings, savings from contracts, additional green waste income, investment income and recovery in housing benefit overpayments. The Financial Services Manager also advised that there were several adverse variances, including an increase in the cost of insurance, variations in the cost of contracts and an increase in the cost of NNDR (Business rates) at East Leake Leisure Centre and the Arena.

Members of the Group noted the overall efficiencies and savings for both revenue and capital, but also noted that opportunities and challenges could arise as a result of external financial pressures, such as business rates, welfare reform and continued financial pressures on individuals, businesses and partners.

### **Risk Management and Emergency Planning**

Members of the Group received reports on, and reviewed on activities associated with the updating of the Council's Risk Register and the work relating to the council's emergency planning and business continuity functions. Members of the Group were advised that the number of risks and their ratings fluctuated throughout the year and that the areas with high risks were in areas that were out of the Council's direct control and where the Council was unable to take mitigating action. Members of the Group were satisfied that risk management was being managed effectively by officers. The Group will continue to monitor the Council's risk management throughout next year.

Members of the Group also received reports on the Council's Emergency Planning activities and were advised that a move to critical plans and checklists had been made as part of a review of the Corporate Emergency Plan.

At its February meeting the Group were provided with information on Emergency Planning and were provided with an overview of the work carried out by the Emergency Planning Officer. The Group was also advised that multi-agency emergency planning exercises had been implemented and that members of the Executive Management Team and the Emergency Planning Officer had attended these events. The Group was satisfied that the Council was effectively prepared for emergencies, but requested that more information regarding the Council's plans were shared with all Councillors to ensure they were fully informed of the Council's Emergency Planning Procedures.

### **Health and Safety Annual Report and Interim Report**

The Group received the Health and Safety Annual Report 2016/17 at the July 2017 meeting that outlined the progress made against the goals set, training, accidents by number and type, injuries and the number of days lost to the Authority and the objectives for 2017/18. Members of the Group were pleased to note the reduction in accidents and the number of days lost which was continuing the downward trend of recent years.

The Health and Safety Advisor delivered a presentation and report of the Council's Health and Safety Six Monthly Update Report at the December 2017 meeting for the six-month period 1 April 2017 to 30 September 2017 that provided information on the Council's progress towards achieving health and safety targets. Members of the Group were pleased to note that further Emergency First Aid training for staff had been completed and that the Council's Work Place Health Champions had been awarded the Nottinghamshire's Workplace Health Silver Award in June 2017, which was 12 months earlier than had been anticipated. Members of the Group are looking forward to receiving further reports next year and reviewing the positive actions that the Council is taking to ensure that staff and the public's health and safety is being managed effectively.

### **Certification of Grants and Returns**

The Executive Manager for Finance and Corporate Services presented members of the Group with a report from the Council's external auditors, KPMG to provide information on the work undertaken during 2017/18 in relation to grant claims and returns for the financial year 2016/17.

The report from KPMG summarised the results of the audit of the Housing Benefit Subsidy Claim 2016/17 and the resultant costs of the audit. It was noted that the audit had identified only two minor errors (which were summarised in KPMG's attached report), and which had both been amended within the claim. Members of the Group welcomed the conclusion that overall, the claim was unqualified and that KPMG had not made any recommendations for improvements for the claims completion process. It was also noted that the actual audit fee was the same as the indicative fee of £6,495 for 2016/17.

## **Treasury Management outturn and mid-year report**

The Group received two Treasury Management reports throughout the year, as well as receiving refresher training with other councillors on Treasury Management processes. At its September meeting the Group received a report on the Treasury Management Outturn Position 2016/17 that provided a summary of the transactions undertaken by the Council as part of the Treasury Management function. At its December meeting the Group received a report which summarised Treasury Management activities of the Council for the period 1 April to 30 September 2017.

## **Local Government Pension Scheme and the Nottinghamshire Pension Fund**

Keith Palframan from Nottinghamshire County Council and Graeme Muir from Barnett Waddingham attended the Group's February and provided a presentation to update members on the latest situation regarding the Local Government Pension Scheme (LGPS) and the Nottinghamshire Pension Fund.

The presentation provided information on:

- The role of Nottinghamshire County Council
- Governance arrangements
- Fund management and pooling arrangements
- LGPS Regulations
- Benefits Structure and changes
- Valuation methodology
- Funding strategy
- Deficit levels, revaluation and future risks

The Nottinghamshire Pension Fund was being considered by the Group due to there being a perceived lack of information for Councillors regarding the processes that had led to Rushcliffe Borough Council becoming liable for £20 million of the fund's deficit, and concerns that a similar situation could happen again in the future, negatively impacting on the Borough Council's finances. Members of the Group were reassured that the issues with regard to deficit levels, revaluation and future risks were being adequately dealt with and were under control but did request that ways of increasing communication between Nottinghamshire County Council and Rushcliffe Borough Council be investigated further.

## **Implementation of the General Data Protection Regulation (GDPR)**

The Interim Chief Information Officer provided a report and presentation to provide an update on the implementation the General Data Protection Regulation (GDPR) and the progress being made towards ISO27001.

Members of Group welcomed the good progress that the Council had made in identifying, assessing and implementing the changes required to meet its obligations associated with the new data protection legislation. Members were advised of the work of the GDPR project board and its action plan for ensuring the Council was GDPR ready and noted their approval of the significant progress that had been made and were reassured that the action plan was providing an effective framework for



delivering and embedding further improvements relating to information management and data protection at the Council.

### **Progress Report on ISO27001**

The Interim Chief Information Officer provided a report and presentation to provide a progress report on the Councils Information management arrangements and compliance against the Information Security Management Standard ISO27001:2013 (Standard). The Interim Chief Information Officer advised that the progress the Council had made in relation to management and due diligence around its IT systems and supplier contracts had had a positive impact on some control areas within the standard.

The Interim Chief Information Officer noted that consideration was being given in regard to applying for external assessment against the ISO27001 standard, with this proposal being fully supported by members of the Group.

### **Member Working Group**

#### **Review of the Council's Constitution**

**Lead Member:** Councillor K Beardsall

**Group Members:** Councillors M Buckle, A MacInnes and Mrs J Smith

The task and finish group which had been established to carry out a more in depth review of the Constitution than the "soft touch" review previously endorsed by the Council in December 2016 completed its work during 2017/18. The group worked within the following 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 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 would be reviewed.

The task and finish group met at regular intervals throughout the year and were supported in their work by Glen O'Connell, the Monitoring Officer and Nigel Carter, Service Manager – Finance and Commercial Services. The group established a programme of work and approached the task sequentially through considering and discussing an issues paper on one Part of the current Constitution at one meeting and, then, at the next meeting, discussing the detailed drafting generated by that initial discussion, as well as considering an issues paper on the next Part. During the year, the group considered all parts of the current Constitution and consistently applied terms of reference a) and b), with a view to making changes which would change the Constitution from being a large static document, mainly used as an occasional source of reference for officers, to one which is capable of bringing relevant material to the immediate attention of Councillors, officers and members of the public when it is most relevant to them.

The main changes that were proposed by the group to the Constitution included the deletion of the Articles, with relevant information from them being transferred to other parts of the Constitution, and the use of electronic links to make the constitution more accessible on electronic devices. The group also proposed the introduction of public speaking at Council and Cabinet meeting, opposition group leaders being able to ask questions at Cabinet and for a definition of the role of leader of the main opposition group. The proposed changes to the Constitution, including details of how public speaking would be managed were presented to Councillors in a series of workshops in order that they could provide feedback on the proposals. The feedback received was positive and showed broad support for the proposed changes.

The changes to the Constitution proposed by the task and finish group were endorsed fully by the Corporate Governance Group at its February 2018 meeting where the Group thanked the members of the task and finish group and the officers for their hard work and for completing the work on time and within a challenging timescale. The proposed changes to the Constitution, in respect of executive matters were subsequently considered and approved for implementation by Cabinet in February 2018 and for non-executive matters by Council in March 2018.

### **Call-ins**

The Group did not discuss any call-ins this year.

### **Looking forward to the year ahead**

The Group will continue to help review and shape policy, ensuring improvements are implemented by developing a challenging work programme