



Corporate Governance Group

10 May 2018

Annual Governance Statement 2017/18

10

Report of the Executive Manager - Finance and Corporate Services

1. Summary

- 1.1 In accordance with the Accounts and Audit Regulations 2015 the Council is required to prepare an Annual Governance Statement (AGS). This is published alongside the Council's Statement of Accounts. The Corporate Governance Group, by reviewing this Statement, scrutinises the Council's governance arrangements.

2. Recommendation

It is RECOMMENDED that the Corporate Governance Group:

- a) Review and approve the 2017/18 Annual Governance Statement (**Appendix A**).

3 Reasons for Recommendation

- 3.1 To conform with best practice with regards to corporate governance and comply with relevant legislation.

4 Supporting Information

- 4.1 The Council is required to publish an Annual Governance Statement (see Appendix A) alongside the Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.
- 4.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) have jointly issued a framework and guidance in relation to the AGS, 'Delivering Good Governance in Local Government (2016 Edition)'. The guidance urges local authorities to prepare a governance statement in order to report publicly on the extent to which they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 4.3 It also recommends that when complying with the guidance, authorities should use it in a way that best reflects their structure, type, functions and size. The AGS is attached at Appendix A and is prepared following the completion of 'Governance Assurance Questionnaires' by senior officers of the Council. The leader and the Chief Executive are required to sign the AGS and this will be completed in July Statement of Accounts.

4.4 The AGS reflects the requirements of the updated the CIPFA/SOLACE “Delivering good Governance in local government framework (2016)”. The Corporate Governance Group adopted the new code last year and the 7 principles within the Local Code are referenced in the relevant sections of the AGS. Other content surrounding, for example, Section 4 ‘Significant Governance Issues’ will inevitably alter as new risks and opportunities arise and the environment we operate in alters.

4.5 Cabinet, at its meeting on 15 May 2018, will consider the outcomes from the Corporate Peer Challenge. It is envisaged that any governance related outcomes from this report, along with any governance issues raised by KPMG as part of their annual audit of the accounts, will form the basis of the AGS action plan. This action plan will be incorporated into the final version of the AGS and will be considered by this Group, at its meeting on 17 July 2018, as part of the review of the Statement of Accounts 2017/18.

5. Other Options Considered

5.1 Not Applicable

6. Risk and Uncertainties

6.1 The process of preparing and reviewing the AGS adds value to the corporate governance and internal control framework of the Council.

7 Implications

7.1 Finance

There are no direct financial implications arising from this report.

7.2 Legal

Compliance with the Accounts and Audit Regulations 2015.

7.3 Corporate Priorities

Not applicable

7.4 Other Implications

None

For more information contact:	Nigel Carter Service Manager - Finance and Commercial 0115 914 8430 ncarter@rushcliffe.gov.uk
Background papers Available for	KPMG – External Audit report 2017/18

Inspection:	RSM – Annual Report 2017/18 Local Code of Corporate Governance
List of appendices (if any):	Appendix A - Annual Governance Statement 2017/18

Annual Governance Statement 2017/18

1. ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rushcliffe Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

Principles C & D – *Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them*

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2022/23 and introduce its sixth Corporate Strategy covering the period 2016 to 2020. The three key themes for this strategy are:

- Delivering economic growth to ensure a sustainable, prosperous and thriving local economy;
- Maintaining and enhancing our residents' quality of life; and
- Transforming the Council to enable the delivery of efficient high quality services.

The integration of service and financial planning has continued through the budgets for both 2017/18 and 2018/19, and the financial strategy to 2022/23.

During 2017/18 the Council reviewed its approach to the financial pressures facing all public bodies through the continued development of its Transformation Strategy. This outlines how the Council will meet its financial challenges until 2022/23. The Transformation Strategy focuses upon three key elements income generation, service re-design and business cost reduction. It highlights the relationship between the Corporate Strategy, the Medium Term Financial Strategy and the Transformation Strategy. As part of the service re-design process the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

Progress against previous priorities and actions, as laid down in previous service plans, has been reported to the Performance Management Board during the course of the year. All key tasks within the current service delivery plans have been linked directly to the Council's objectives.

2.2 Improvement and Efficiency

As with other public bodies the Council faces unprecedented financial pressures. The impact of the reductions in Revenue Support Grant of around £3.25m (from 2013/14 to 2019/20) has meant the Council has to find significant efficiencies, maximise its income streams and be increasingly innovative and commercial. The Transformation Programme has delivered in excess of £4m in efficiencies and the Council's commitment to utilising its own resources to fund commercial property investments, along with other cost constraints and income generation, has meant that what was a £1m target by 2019/20, reported last year, has substantially reduced to £0.29m and the Council is on-track to be self-sufficient and not reliant upon Government grant. This is subject to the Council continuing to deliver on both its Asset Investment Strategy commitment and other areas of the Transformation Programme. There remains the need to continue to identify savings and continue to raise additional income via the Transformation Strategy in order to meet financial pressures in the medium term, the Transformation Strategy fulfilling the role of the Council's Efficiency Statement, a requirement in accepting the four year settlement from the Government. The following thematic areas summarise how the budget will be balanced in future years:-

- (a) Service Efficiencies – focusing on cost management, income maximisation, mechanisation and streamlining services;
- (b) Management budget reviews – challenging base budgets each year;
- (c) Transformational Projects - projects such as building control and garage partnerships; and

- (d) 'Thinking big' reviews – for example the continued activation of the Leisure Strategy and Depot relocation projects.

To secure a medium term financial position the Council will maintain progress and focus on managing budget reductions where appropriate, manage inflationary pressures on its operational costs, whilst increasing income where appropriate, to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. An important pillar of this is property investments with the Council's Asset Investment Fund rising to £20m. The Council's Capital and Investment Strategy now incorporates reporting on commercial investments (complying with professional recommended practice) governing the risk of such investments individually; and collectively in relation to the Council's other income streams. The Transformation Programme anticipates a further £300k income in relation to such investments. Other areas covered include Streetwise as mentioned in section 4.1.

2.3 The Constitution

Principle A - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

A comprehensive document detailing the Council's constitution exists which sets out the clearly defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions;
- Cabinet works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet is supported by four scrutiny groups;
- Scrutiny groups develop their own work programme for the review of Council policies in addition to scrutinising the work of the Cabinet;
- Separate committees exist for Planning, Employment Appeals, Alcohol and Entertainments Licensing, Interviewing and Licensing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution as a whole is reviewed when necessary and appropriate. The last review was undertaken in 2017/18. This was a significant review, overseen by the Corporate Governance

Group and led by a Member working group, advised by the Monitoring Officer, rationalising the document and improving its accessibility and transparency.

2.4 Policies, Procedures, Laws and Regulations

The Council has three statutory officer roles: the Chief Executive, the Section 151 Officer and the Monitoring Officer. The Chief Executive has overall corporate management and operational responsibility (as such is the Head of Paid Service) including overall management responsibility for all officers. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is up-to-date.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2017/18, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2017/18 the Executive Manager (Finance and Corporate Services) held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet Members. The post holder also has direct access to the Corporate Governance Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by RSM. The effectiveness of this service is monitored by the Corporate Governance Group.

Executive Managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Executive Manager (Operations and Transformation).

2.5 Risk Management

<p>Principle F – <i>Managing risks and performance through robust internal control and strong public financial management</i></p>
--

The Council's risk management arrangements are regularly reviewed. The effectiveness of the overall risk management arrangements is monitored by the Corporate Governance Group (CGG) throughout the year. As part of the annual review of Risk Management (December 2017) the CGG considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2017/18 Annual Report by Internal Audit acknowledges that the Council has an adequate and effective

framework for risk management, governance and internal control with further enhancements required.

2.6 Development and training needs

Principle E – *Developing the council's capacity including the capability of council leadership and staff*

The Council achieved Councillor Member Development Charter status in March 2011 and has a cross party Member Development Group (MDG) to oversee development and delivery of Councillor learning and training. This Group meets on a quarterly basis.

Each Councillor is offered the opportunity to undertake an annual Personal Development Plan the results of which are used to inform the on-going Member Development Programme. Development needs are also identified directly by feedback from Councillors and in response to issues which may occur throughout the year.

To support new and returning Councillors a comprehensive induction programme has been developed for delivery after the local elections. The delivery of this is overseen by the cross party MDG who evaluates its effectiveness upon its completion based on Councillor feedback. A revised programme of training was agreed by the MDG in 2016/17 and has been subsequently monitored and refreshed at its meeting in August 2017 and January 2018.

The identification and delivery of appropriate training for officers is dealt with via the Learning and Development Plan which links to the annual performance development review (PDR) process. The Council recognises the importance of training to its workforce this includes, for example, the offer of the Masters in Public Administration Programme, working as a triumvirate with Gedling and Newark and Sherwood District Councils.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all 48,000 households and these set out details of a number of key service changes, and ask for customer feedback.

The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultation was undertaken, for example on Local Plan 2, car park charging, West Bridgford Commissioners survey. We use social media (Facebook, Twitter and LinkedIn) and the Council's website to promote these consultations in a timely fashion, linking through to online consultation to encourage responses.

The Council's resident satisfaction survey was last completed in October 2015 when over 700 residents completed the survey which was available online and through Rushcliffe Reports. 90% of residents responding to the survey are happy with the borough as a place to live, 76% are satisfied with the way the Council runs things, and 65% believe the Council provides value-for-money. On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises is used to improve services to all customers. The next resident satisfaction survey is planned for summer 2018.

The Council also undertakes consultation to inform decisions relating to policy changes. In December 2017, the Council's staff completed a survey with 97% of staff reporting that they

understand the values of this organisation and 'how I am expected to do things', 81% felt the Chief Executive and Executive Managers are more visible and accessible in the new office and 77% said they are enjoying new ways of working. Overall, the results were excellent, and this positive response was echoed in the initial findings of the Corporate Peer Challenge undertaken in January 2018. The findings are due to be reported to Cabinet in May 2018.

2.8 Partnerships

The Council has in place a scrutiny group that reviews significant partnerships with which the Council is involved. The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd and car parking contracts. The Cabinet Portfolio Holder also chairs quarterly strategic board meetings with the two main leisure providers, Parkwood and Carillion. There are also quarterly meetings of the Streetwise Board chaired by the Leader of the Council. Whilst Streetwise brings opportunity there is also risk in terms of how the Company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces.

2.9 Transparency

Principle G – <i>Implementing good practice in transparency, reporting and audit to deliver effective accountability</i>

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken. Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports. Reports from the Council's internal (RSM) and external (KPMG) auditors are published online, including their annual reports.

The Corporate Governance Group and Performance Management Board monitor performance against targets on a quarterly basis. Internal Audit comply with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and all staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

The Council welcomes peer challenge reviews and inspections from regulatory bodies and will act on any recommendations arising as appropriate. In April 2017 the Planning Peer Review was reported upon and was largely complimentary on the work of the Planning Service and the challenges it faces.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates and this review is considered by the Corporate Governance Group.

3.2 **The Council**

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework

3.3 **The Cabinet**

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions
- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions

3.4 **Scrutiny groups- Corporate Governance Group**

The Corporate Governance Group is the group within the Council that is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts prior to its agreement by Full Council
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements.

3.5 **Other Scrutiny Groups**

The Performance Management Board reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year the group has considered the equality and diversity plan, the contract with Streetwise Environmental Ltd and the leisure services contracts with Parkwood Leisure, Glendale Golf and Carillion.

In addition to the Performance Management Board the Council has two other scrutiny groups which were formed during 2007. The first, Community Development looks at areas that affect

the community such as reputational management and the Leisure Strategy. The other group is Partnership Delivery which is tasked with looking at the effectiveness of current and future potential partnerships across all areas of the Council in achieving the Corporate Plan.

Linked to the Corporate Peer Challenge the Council will be reviewing scrutiny arrangements during 2018/19.

3.6 Executive Managers

Executive Managers are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary. In December 2015 the Council re-structured the Executive Management team with there now being four Executive Managers and temporarily employing a Monitoring Officer for that particular function.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Broxtowe and Gedling Councils in 2015/16 this contract was awarded to RSM until 2019/20. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology. The current Strategy now covers the period from 2016/17 to 2018/19.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Corporate Governance Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Corporate Governance Group. As mentioned at Section 2.5 the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 External Audit

The external auditors, KPMG, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In the annual report for 2017/18 KPMG concluded that Rushcliffe Borough Council has good processes in place for the production of the accounts and provided a strong draft for audit. This was supported by good quality supporting working

papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. In terms of value for money, KPMG concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The current external audit contract expires 31 March 2018, with KPMG auditing the 2017/18 Final Accounts, before the newly appointed Mazars take over for 5 years commencing with the 2018/19 accounts.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified and remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council therefore remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

In recent years the Council's external auditors have recognised the quality in the production of the Statement of Accounts. In terms of delivering value for money it is recognised that delivering on-going savings remains a challenge given anticipated future funding reductions. Mitigation regarding this is covered in Section 2.2 and the delivery of the Transformation Strategy. The Council in July 2016, also introduced the Asset Investment Strategy (AIS) which is subject to continued review (and revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

The Council has agreed £20m to be allocated for asset investment (to resource the AIS). In 2015/16 the Authority awarded a Loan of £2.7m to Nottinghamshire County Cricket Club (NCCC). The Section 151 Officer continues to review the position regarding the loan and the project progress with the s151 Officers of Nottinghamshire County Council and Nottingham City Council and the Director of Finance of NCCC. £2.5m has been committed to town centre development and industrial units at Cotgrave, which should realise around £140k of income. During 2017/18 the Council has committed the Asset Investment Fund to invest in up to 15 industrial units at Moorbridge Road, Bingham and the purchase of Bardon at Coalville, Leicestershire and Finch Close, Lenton Lane. These amount to a commitment of £4.6m all of which will contribute approximately £230k in additional income, with other purchases in the pipeline for 2018/19.

Cabinet, at its meeting on 13 June 2017, adopted the Leisure Facilities Strategy 2017-2027. Within this strategy Bingham Leisure Centre, as the largest and oldest of the sites assessed, is identified as requiring the most significant works in the short, medium and long term of the Council's leisure property portfolio. The cost of maintaining Bingham continues to increase within each five year time frame over the fifteen year period. Bingham is therefore highlighted as a priority site for replacement/substantial improvement. Cabinet therefore supported the development of an options appraisal and business case for capital investment for major facility improvement of leisure facilities at Bingham within 5 years.

During 2018/19 the Council will need to manage a number of challenges arising from the on-going financial pressures as a result of reduction in central government revenue support grant and the movement to funding via business rates and in the future 100% of business rates income being devolved to local government (currently the Council receives 40%). One of the biggest financial risks to the Council remains power station appeals given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation. In addition, the likely de-

commissioning of the power station, given it accounts for around one quarter of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is actively looking at options to mitigate this risk. The Medium Term Financial Strategy does highlight an improving position on business rates; this is subject to risks concerning the level, and success, of ongoing Business Rates appeals.

Challenges arising from welfare reform and the continued phased introduction of Universal Credit, now planned for October 2018 for the majority of Rushcliffe, are further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, the work is on-going to identify preferred options for Local Plan part 2, which was approved by Full Council on 27 April 2018. The Council has obtained £9.95m of Housing Infrastructure Fund funding earmarked to deliver 3,000 new homes at land south of Clifton.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall; and the 'Growth Deal' for employment and housing sites alongside the A46. This is indicative of the Council's commitment to support housing and business growth. As already mentioned the Council is committed to utilising the Asset Investment Strategy as the catalyst to release up to £20m to both grow the local economy and provide a financial return to enable the Council to balance the budget and meet its corporate objectives.

The Council continues to be involved in various collaboration activities including payroll, green bins, tree advice, ICT provision and Building Control, with further opportunities being considered, such as extending the green bin service to other Councils and consideration of how other services can be delivered in the future. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- The completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;
- The Council is making the appropriate steps for a 'faster' closedown (given the 31 May deadline for the production of the financial statements and the requirement that they are approved by Full Council by the 31 July 2018);
- The level of Business Rates appeals are reasonable;
- Financial resilience – the continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- Governance over the Asset Investment Strategy Fund.

Other challenges and risks for 2018/19 include: the Depot relocation project, linked to this the Council has also strategically acquired land at Chapel Lane, Bingham to be part used by Streetwise and the green waste service. The Council is increasingly innovative using alternative service delivery vehicles. This includes the implementation of both a new holding company and a new management structure for Streetwise Environmental Ltd and the potential

development of a company to manage and invest in property. These will help address issues raised by the Corporate Peer Challenge.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements has been undertaken during 2017/18 to ensure compliance with the General Data Protection Regulations which came into force in May 2018, this work will be ongoing.

The CIPFA Prudential Code and CIPFA Treasury Code were updated in December 2017. In addition, the Government issued revised guidance on local authority investments in February 2016. These change the emphasis of the Treasury Management code resulting in the Council producing a Capital and Investment Strategy (presented to Council as part of the Medium Term Financial Strategy). The revised definition of investments in the CIPFA Treasury Code now includes assets which the organisation holds primarily for financial returns, such as investment property portfolios. Whilst not required to fully adopt these changes until 2019/20, the Council decided to reflect the changes in its Capital and Investment Strategy 2018/19, acknowledging that due to the short timescale between the notification of the guidance and the report, the Strategy will need to be given the opportunity to evolve.

Finally, the Council continues to be mindful of significant uncertainty created by the Government's ongoing review of local government finance with both the Fair Funding and Business Rates reviews and a review of negative revenue support grant due imminently. This is compounded by the fact that what was a 'four year settlement' only has two years remaining, and the impact of BREXIT, making financial projections beyond 2019/20 subject to heightened risk.

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed, with new actions planned, are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....
Councillor S Robinson (Leader)

Signed.....
A Graham (Chief Executive)

Date July 2018

Date July 2018