

# Governance Committee

**Thursday, 14 March 2013**

**Present:** Councillor Paul Leadbetter (Chair) and Councillor Alison Hansford (Vice-Chair) Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt

## **Also in attendance**

**Independent Person:** Peter Ripley

**Officers:** Gary Hall (Chief Executive), Chris Moister (Head of Governance), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor), Victoria Willett (Partnership Officer) and Dianne Scambler (Democratic and Member Services Officer)

### **13.G.11 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **13.G.12 MINUTES**

**RESOLVED – That the minutes of the Governance Committee meeting held on 17 January 2013 be confirmed as a true record for signing by the Chair.**

### **13.G.13 DECLARATIONS OF ANY INTERESTS**

No declarations of any interest were received.

### **13.G.14 TREASURY MANAGEMENT - COUNTERPARTY LIMITS**

The Committee received a report of the Chief Executive that sought approval for the removal of the three month restriction that currently applied to investments with all counterparties other than the part nationalised banks.

In September 2011 the Council's treasury advisor, 'Sector' had recommended that a temporary limit of three months be placed on all investments with financial institutions other than the part nationalised banks in response to rising concern about financial markets particularly in Eurozone.

'Sector' was now recommending that this limit be lifted as excess market fears had since subsided and liquidity had improved. Three factors had contributed to this, the ECB announcement of unlimited support to sovereigns, UK initiatives that had given banks access to cheaper funding and the avoidance in the USA of the "fiscal cliff".

The removal of the limit was unlikely to have an immediate effect as very few UK banks had a credit rating that would justify an investment for more than three months, and those that did usually only dealt with larger sums, or in different markets than the Council.

The Committee were also informed that the UK's sovereign rating had been downgraded by one notch to AA1 with reasons cited as weak prospects for growth, expectations of higher public debt levels and the consequential reduction in the ability of the economy to absorb unexpected economic shocks.

These concerns ultimately had the potential to result in higher borrowing cost, but the downgrade itself was not expected to have any immediate effect since it had been expected and already factored into market reasoning.

**RESOLVED – That the restriction of three months that currently applies to investments with all counterparties other than part nationalised banks be removed.**

### **13.G.15 UPDATE OF THE CODE OF CORPORATE GOVERNANCE**

The Head of Governance submitted a report on the updates to the Code of Corporate Governance to reflect a change to the regulations in 2012.

The Council are required to adopt a Code of Governance demonstrating how the authority complies with legislative requirements, the principles of good governance and management processes.

The most significant amendment to the Code is to reflect the changes imposed by the Accounts and Audit Regulations 2011. Fundamentally, the change replaced the need to produce a Statement of Internal Control with the Annual Governance Statement.

The other significant change was the removal from the Control Measures to have meetings in public unless absolutely necessary. This is now a legal requirement and processes had been adopted to ensure that this is the case in any event including the incorporation of confidential items on the Notice of Key Decisions.

Assurance was given that training would be offered to all Members on the Code of Conduct on an annual basis.

**RESOLVED – That the updates to the Code of Corporate Governance be approved and adopted.**

### **13.G.16 STANDARDS UPDATE**

The Monitoring Officer submitted a report updating Members on two standards complaints that had been concluded in the preceding three months and details of the issues were outlined in the report.

One of the complaints had included the use of twitter and the Independent Person had made some recommendations regarding guidance on the use of twitter for Members in the future.

Chorley Council had not issued a protocol on the use of twitter but had issued a brief guide and in line with the advice given it was proposed to make the following amendments:

- a) Twitter should be used to pass messages and receive information. Members should avoid using it for conversation.
- b) Members should recognise that communication is a two way process and may receive tweets that they do not agree with;
- c) Members should be reluctant to block twitter users who they know are residents of their ward.

It was also considered that there should be clarity as to when a Councillor was acting in that capacity and Members asked for further training to be provided on this matter.

**RESOLVED**

- 1. That the report be noted.**

**2. That the recommendations above be implemented and appropriate training be offered.**

**13.G.17 EXTERNAL AUDIT PLAN AS AT 31 MARCH 2013**

The Committee received the External Audit Plan for the Council as at 31 March 2013 that had been submitted by Grant Thornton, the authority's external audit providers.

A risk based audit of the Council had been undertaken that focused on those areas where there was a potential risk of material misstatement in the accounts and no specific risks had been identified for Chorley. The two risks that were listed in the report were generic to other Local Authorities and Members were assured that the necessary controls for Chorley already existed.

Interim audit work was currently being undertaken in advance of the final accounts audit fieldwork and at this stage there were no significant issues to report and it was explained to Members that the Value for Money (VfM) conclusion was a requirement to ensure that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources and focuses on securing financial resilience.

**RESOLVED – That the report be noted.**

**13.G.18 AUDIT COMMITTEE UPDATE**

The External Auditors provided the Committee with a report on the progress made in delivering their responsibilities to the Council. It also included a summary of the relevant emerging national issues and developments and included a number of challenge questions for Members to consider.

**RESOLVED – That the report be noted.**

**13.G.19 CERTIFICATION WORK REPORT 2011/12**

The Committee received a report detailing the certification work that had been carried out for the authority during the period 2011/12. The Council's external auditors and acting as agents of the Audit Commission were required to certify claims submitted by the Council.

Two claims and returns, the housing and council tax benefit scheme and National non-domestic rates return, had been certified for the 2011/12 financial year relating to expenditure of £55.6 million.

The report also summarise the overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims.

**RESOLVED – That the report be noted.**

**13.G.20 INTERNAL AUDIT PLAN 2013/14**

The Head of Shared Assurance Services submitted a report on the Internal Audit Plan for 2013/14. The report reminded members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council, summarised and explained the basis of the Plan and sought its approval.

The 2013/14 Internal Audit Plan contained the programme of reviews for the next financial year and had been constructed following a risk assessment which contained a range of risk factors, such as the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time an area was last audited. There had also been extensive consultation within each service and by Strategy Group which had taken an overview of audit requirements.

In addition to the work programme for Chorley Council and Shared Services, Members were reminded about the provision of Internal Audit services to St Catherine's Hospice and were given assurances that this work had been built in the programme. It was further explained that management layers had been removed to secure efficiencies from within the service.

**RESOLVED – That the Internal Audit Plan 2013/14 be approved.**

### **13.G.21 UPDATE ON THE STRATEGIC RISK REGISTER**

The Committee received a report of the Chief Executive that provided updates to the Strategic Risk Register for 2013/14. The register is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which need to be managed strategically.

The updated Strategic Risk Register included twelve strategic risks to the Council and included actions in progress as well as new actions planned to mitigate identified risks. Five scores had increased primarily due to climate changes and two scores, failure to realise the benefits of new technology and related impact on driving organisational change and incidents affecting service delivery/business continuity or even wide widespread damage, injury or risk to the public had decreased as they had improved since the last report.

Members thought that some of the risks were linked with each other and asked what would happen if the decreased performance of one risk caused a knock-on effect to others. It was explained that each risk would be assessed accordingly in response to any changes and that the relevant controls would be implemented to address any changes.

**RESOLVED – That the report be noted.**

### **13.G.22 EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED – To exclude the press and public for the following item of business on the ground that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972.**

### **13.G.23 INDEPENDENT PERSON**

Since the Independent Person had been appointed to support the new standards regime he had been called upon to give advice on a number of standards issues and as the position was not remunerated the Monitoring Officer asked Members to consider if his was still deemed appropriate although it was pointed out that the Independent Person had taken up the post willingly without pay.

In advance of the meeting the Monitoring Officer had contacted neighbouring authorities who had indicated that they attached an allowance to the post as a way of retaining staff and experience.

Under the previous Standards arrangements the Standards Committee was chaired by an Independent Member and an annual allowance was paid. Although the situation had since changed, the Committee considered that the position was still of great importance to the Council and as such should be recognised as so. Members thought that this was something that could be assessed by the Independent Remuneration Panel.

**RESOLVED (7:1) – That the Independent Remuneration Panel be asked to assess whether or not a payment should be given to the post of Independent Person.**

Chair