

**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** **Wednesday, 5 June 2019**

**MEMBERS PRESENT:** Councillor Debra Platt (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Julia Berry, Jean Cronshaw, Steve Holgate and Roy Lees

**OFFICERS:** Gary Hall (Chief Executive/Statutory Finance Officer), Rebecca Huddleston (Director (Policy and Governance)), James Thomson (Interim Financial Services Manager), Janice Bamber (Interim Audit and Risk Manager), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer), Michael Jackson (Principal Financial Accountant) and Ruth Rimmington (Democratic and Member Services Team Leader)

**APOLOGIES:** Councillor Eric Bell, Kim Snape, Peter Ripley (Independent Member) and Mark Heap (Grant Thornton)

**OTHER MEMBERS:** Simon Hardman (Grant Thornton UK LLP)

**19.G.67 Minutes of meeting Wednesday, 20 March 2019 of Governance Committee**

**Decision – That the minutes of the Governance Committee meeting held on 20 March 2019 be confirmed as a correct record for signature by the Chair.**

**19.G.68 Declarations of Any Interests**

There were no declarations of any interests.

**19.G.69 Draft Statement of Accounts 2018/19**

James Thomson, Interim Financial Services Manager, presented the report which presents the draft Statement of Accounts (SOA) for 2018/19. The SOA were signed and authorised by the Chief Finance Officer on 31 May 2019 as required by Regulations. The completion of SOA has been achieved following work from across a number of teams within the Council and has been a challenging task due to the change in the statutory timescales implemented last year. The SOA will be formally submitted for approval by this Committee at the next meeting on 24 July following the completion of the external audit.

Members of the public now have 30 days to inspect the SOA including rights of objection, inspection and questioning of the external auditor, Grant Thornton.

Members noted that Market Walk has been valued. The asset was valued at £20.4m at the end of 17/18. The shopping centre's existing use value was reduced to £18.5m in 2018/19 reflecting changes in the retail market and a number of leases that remain under review. This does not have an impact on the Council Tax payers of Chorley as the Council is not planning to sell the asset. Officers successfully challenged the valuation as there is not a Poundworld, but a Poundland, as stated in the valuation. The challenge increased the valuation accordingly. The Council is currently out to tender for a new valuer, and Members noted that the opening of the Market Walk extension will have an impact on the valuation next year.

Members discussed the vibrancy of Chorley town centre and the motivation of the Council in purchasing Market Walk to influence the town centre in a positive way. The footfall within the town centre is monitored via the CCTV, income from the car parks and the use of the free WiFi. This will assist in determining if the extension has a positive impact on the night time economy. A number of jobs will also be created, in addition to those at Primrose Gardens extra care facility and the Strawberry Fields digital office park.

**Decision: That the draft Statement of Accounts be noted.**

#### **19.G.70 Charity and Trust Accounts 2018/19**

Michael Jackson, Principal Financial Accountant, presented the report which set out for approval the accounts for the year ended 31 March 2019 for charities and trusts for which the Council is the sole trustee. This report is now produced separately to the SOA and gives more detail about the accounts as requested previously by this Committee. There is no statutory requirement for the accounts to be audited.

Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

Members requested further information about the William Cocker Charity in relation to the provision of recreation grounds in Chorley and in general, what the available money can be spent on for all of the charities via intheknow.

**Decision: To approve the accounts presented in Appendix A to E be approved.**

#### **19.G.71 Outcome of 2017/18 Homes England Audit - Primrose Gardens**

James Thomson, Interim Financial Services Manager, presented the report which updates Members on the outcome of the 2017/18 Homes England audit of the Primrose Gardens project and the expected 2018/19 audit of the project.

The Council received an amber grade as the valuation of the site was not signed off until the 31 March 2018 when the start on site was documented as 23 March 2018.

Homes England had requested that the audit is completed by the end of July 2019, but due to the statutory requirement to sign off the audit of the statement of accounts by the end of July this deadline is not achievable. Since the writing of the report Homes England have advised that the project will not be audited for 2018/19.

The Committee noted the frustrations of the officers in receiving the amber rating and noted that the Council are now better prepared for any future Homes England audits. Internal audit will undertake audits on large capital projects as a matter of course.

Members discussed the excellent facility at Primrose Gardens, which is now in a snagging phase prior to opening this summer.

**Decision:**

- 1. To acknowledge the findings of the 2017/18 Homes England audit.**
- 2. That an email be sent to the officers involved in the Primrose Gardens project to thank them for their work.**

**19.G.72 External Audit Progress Update**

Simon Hardman, Grant Thornton, explained that the team are now on site and are confident to complete the audit by mid-July. A new software system is being used called "inflow" which details which queries have been dealt with and any still requiring action, which has benefits for both the auditors and officers. The information required has been downloaded successfully this year following issues last year.

**Decision: That the update be noted.**

**19.G.73 Internal Audit Annual Report 2018/19**

Janice Bamber, Interim Head of Shared Assurance, presented the report which summarises the work undertaken by the Internal Audit Service from April 2018 to March 2019. The report provides an opinion on the adequacy and effectiveness of the Council's framework of control and appraisal of the Internal Audit Service's performance throughout the period.

Appendix 1 provides a detailed view of the individual audit's undertaken in 2018/19, each audit has been assigned an individual audit opinion of the control environment in regard to that service and the processes / systems reviewed within that service area. 84.45% of the Planned Audit work (excluding ongoing / project / other type of work) has been completed in year. The allocation of days is not an exact science and it is only when the audit commences that the auditor understands the key risks in each specific area and then audits accordingly, in some areas this can mean more days are required than original allocated and vice versa.

The Council's overall control environment can be classed as being that of providing Substantial / Full Assurance, based on those areas reviewed during the 2018/19 financial year.

Where the opinion of the control environment has been classified as Adequate / Limited, management actions have been agreed to improve controls in those areas. These management actions will be monitored throughout 2019/20 and reported to Governance Committee.

This included enforcement and the maintenance and inspection regime. For enforcement three distinct functions have been brought together to deliver enforcement services, Building Control, Planning and Licensing enforcement. These services have different process and procedures and each distinct area was reviewed, therefore an assurance opinion was provided for each distinct Area.

Similarly, for maintenance and inspections policies, systems and processes relating to five distinct areas, risks for each of the areas were identified and controls tested relating to each of the distinct areas. It was therefore appropriate to assign an assurance opinion for each of the distinct areas.

The review relating to Environmental Permitting Regulations (EPR) identified a number of issues. The risks associated with these issues is considered low. Management actions have been agreed and this will be followed up in 2019/20 and the outcomes reported to Governance Committee.

In 2018/19, Internal Audit have completed 84.45% of the Internal Audit Plan for Chorley Borough Council and achieved a 100% acceptance rate for agreed management actions. Members noted that if a management action is not completed the Governance Committee can request the officer in question attend Committee to explain why.

Gary Hall, Chief Executive, explained that it has been a challenging year, with sickness and changes to staffing within the team. As Chief Financial Officer he has taken decisions on which reviews could slip to next year from a control rating and assurance point of view. Shared Services Joint Committee met earlier in the week and plans are now moving forward, which will be positive for those members of staff in interim positions.

The Committee noted the Substantial / Full Assurance classification with satisfaction.

**Decision: To note the Internal Audit Annual Report for 2018/19.**

#### **19.G.74 Strategic Risk Update Report 2019**

Rebecca Huddleston, Director of Policy and Governance, presented the report which provides Members with an updated Strategic Risk Register (SRR) which includes 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

The Council operates in a continually changing political, economic and financial environment. The risk register is continually reviewed and considered a 'live' register. Currently the majority of risk categories remain stable for 2019 with seven of these identified as 'high risk', seven 'medium risk' and one 'low risk'. The majority of risk levels remain static as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

The Strategic Risk Register is stored and managed within the council's risk management system GRACE. The GRACE system also contains separate risk registers for individual projects and service level risk registers owned and controlled by individual services managers and project managers.

Members considered each risk in turn. For three risks the rating has increased, although controls and mitigating actions have been put in place. These are R11: Reduction in staff satisfaction and morale with the Council including increase in sickness absence, R12: Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack and R13:

Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile decision making.

The fact the rating has been increased does not mean that the threat of the risk has increased, just that the Council has recognised issues and put plans in place. In particular, the three large projects, Market Walk extension, Strawberry Fields Digital Office Park and Primrose Gardens extra care facility are all due to complete this year and this has to be acknowledged.

The green rating for R14: Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties will be reviewed. Members noted that this risk is acknowledged in the Annual Governance Statement. The all-out elections in May 2020 have the potential for a high percentage of new Councillors. Plans are already in place for the Member Development programme and new Member induction and a report detailing the arrangements will be presented to the Committee in November.

The red rating for R15: Failure of (existing) Shared Service arrangements, will be reviewed following the Shared Services Joint Committee earlier this week.

**Decision: To note the strategic risks, controls in place and actions planned to further mitigate the strategic risks as set out in Appendix 1.**

#### **19.G.75 Annual Governance Statement 2019**

Chris Moister, Head of Legal Democratic and HR, presented the draft Annual Governance Statement (AGS) to the Governance Committee for review and approval.

The AGS forms part of the SOA. CIPFA and SOLACE issue guidance on the form of the AGS and the self-assessment process that authorities must undertake to compile it. The guidance states the need for a review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

In addition to the corporate self-assessment, assurance has also been obtained from Directorates, as they are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any non-compliance issues.

The Council has been found to have strong governance arrangements with few identified areas for improvement. Issues that have been highlighted are not in themselves significant. They are areas which suggest partial compliance with requirements or where there is insufficient evidence to demonstrate full compliance. There are no areas of significant non-compliance by the Council. The status of the actions and milestones are complete or in progress.

Members noted the nine action areas the Council will develop in the forthcoming financial year to build and strengthen its corporate governance arrangements. There is an additional section within the AGS which addresses known future issues which

are likely to have an affect on Council governance arrangements. This includes reference to Brexit and the boundary review (as discussed in the previous item).

**Decision: That the draft Annual Governance Statement appended to this report be approved and signed by the Executive Leader of the Council and the Chief Executive.**

#### **19.G.76 Ethical Governance Review - Report from Working Group**

Chris Moister, Head of Legal Democratic and HR, presented the report which updates Members on the recommendations of the Working Group and seeks agreement to present the recommendations to Full Council for adoption.

Members noted the 15 best practice recommendations which came out of the report "Local Government Ethical Standards" by the Committee for Standards in Public Life. At the request of the Committee the Working Group considered the proposals and made recommendations for their adoption and implementation.

The comments of the Independent Person were noted, that in many cases Chorley has already adopted the recommended Best Practice or can move quickly to adoption. It is noted that changes seen to be necessary to the Chorley website to comply with Best Practice may be delayed while a wider piece of work on the website is undertaken.

The updated Code of Conduct and Dealing with Complaints about Member Conduct was noted. This will be adopted by Council on 24 July.

**Decision: To accept the recommendations of the Working Group on the implementation of changes to the Council's Code of Conduct and associated processes for presenting to Full Council for approval and implementation.**

#### **19.G.77 RIPA Application Update**

Chris Moister, Monitoring Officer, reported that no RIPA applications had been made.

#### **19.G.78 Work programme**

The Committee considered the work programme which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Chair

Date