

Minutes of Governance Committee

Meeting date **Wednesday, 3 August 2022**

Committee Members present: Councillor Debra Platt (Chair), Councillor Mark Clifford (Vice-Chair) and Councillors Sam Chapman, Gordon France, Margaret France, Michelle Le Marinel, Dedrah Moss, Neville Whitham, Charlotte Fitch and Peter Ripley

Officers: Gary Hall (Chief Executive), Louise Mattinson (Director of Finance), Chris Moister (Director of Governance), Steve Kenyon (Deputy Director of Finance), Tony Furber (Principal Financial Accountant), Rebecca Aziz-Brook (Transformation and Change Team Leader), and Matthew Pawlyszyn (Democratic and Member Services Officer)

A video recording of the public session of this meeting is available to view on [YouTube here](#)

13 Minutes of meeting Wednesday, 1 June 2022 of Governance Committee

Resolved: That the minutes were approved as a correct record.

14 Declarations of Any Interests

No interests were declared.

15 External Audit Progress Report and Sector Update

Georgia Jones, Grant Thornton presented the Audit Progress Report for 2021/2022.

The planning and interim work was completed, the financial statement audit will begin upon receipt of the Financial Statement. The deadline for the signed off audit is 30 November 2022.

The deadline for the Value for Money had been extended and required to be signed off within three months of the audit opinion, however, this is due to be delivered at the same time as the Financial Statement.

Other work completed included the Housing Benefit Claim. There continued to be a good working relationship between Grant Thornton and key officers within the council, knowledge was shared, and developing issues were highlighted.

Upcoming reports to Committee include

- Audit Findings Report
- Auditors Report
- Auditor's Annual Report
- Auditor's Annual Report
- Housing Benefit Subsidy - Certification

Resolved: That the report was noted

16 External Audit Annual Report 2020/21

Georgia Jones, Grant Thornton presented the External Audit Annual Report.

The report was completed under the revised code of audit practice, issued by the National Audit Office for audits completed from 2021, and was a retrospective exploration into the arrangements in place at the council in 2021.

No significant weaknesses were identified in areas of

- financial sustainability,
- Governance
- Improving Economy Efficiency and Effectiveness

However, improvement recommendations were made for financial sustainability and governance.

Three types of recommendation could be provided, statutory, key and improvement recommendation. The council received no statutory or key recommendations. Within the report, each recommendation came with a 'why/impact', 'auditor judgement', 'summary findings', and 'management comment'.

Two improvement recommendations were made in relation to financial sustainability.

'Refine formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS'

'Provide a clear distinction between discretionary and non-discretionary spending in the budgetary information to members and ensure it is published on the website'

It was noted that the recommendation is to make a clear distinction between discretionary and non-discretionary spending. It was noted that this was a common recommendation made to various bodies. It was also noted however that it may not be standard practice in many organisations to make such a distinction, however the recommendation has been included in the report as it is considered good practice; Georgia Jones said she appreciated that the council would need to consider the time and resource required to do this, against the benefit delivered. The focus of the recommendation was on transparency to enable the public to see the full decision-making process. It was acknowledged that management responded positively.

Under Governance, one recommendation was made

'That the council ensures the Internal Audit function is adequately resourced to deliver the work programme and continue to monitor delivery of the audit plan going forward to ensure sufficient assurance is obtained to support the annual opinion.'

Due to the council's response to Covid-19. A full opinion could not be given due to the impact on the capacity and ability of internal audit to function.

Members queried a point in the report stating that the acquisition process of Logistics House was not sufficiently robust, and the risks not fully considered in line with the council's own risk management framework for a transaction of such value. The Auditor explained that this was reported in the 2019/20 Value for Money Report previously reported to the Governance Committee. Under the previous audit arrangements a binary conclusion was given of either qualified or not qualified; the 2019/20 report was qualified due to this issue. It was felt that a more robust business case was required demonstrating the practicalities, the risks, and benefits to the council.

Resolved: That the report be noted.

17 Treasury Management Outturn Report (2021/22) & Quarter 1 Monitoring Report (2022/23)

Steve Kenyon, Deputy Director of Finance presented the Treasury Management Outturn Report (2021/22) and Quarter 1 Monitoring Report (2022/23)

The report summarised the treasury management activity over the 12 months of 2021/22 and the first three months of the current financial year. 2021/22 observed high cash balances because of the Covid funds, but a low yield on investments made.

The approach to investment prioritised the security of public money, the liquidity of funds, and then the interest generated. Interest was considered important, but not at the expense of security or liquidity.

The council in 2021/22 continued to receive Covid funding, often at short notice, which would be quickly distributed, which prevented interest being invested for longer periods of time, and in turn, lower rates of return were attained.

The average daily balance was £9.3 million, down from the previous year's figure of £13 million, however, more than expected due to the Covid funds.

Yield was 0.09% against the target of 0.1%.

The council was unable to lend money to other councils due to the reduction in demand, due to the delivery of Covid funding.

Cash return was £8800 in comparison to £13,000 the previous year.

The capital programme was £24 million, notable schemes included Alker Lane (£6 million), Whittle surgery (£2 million), Tatton (£9 million) and Westway Sports Facilities (£1 million). The overall financing requirement was £14.7 million, the programme was funded from available resources and an additional loan of £10m towards the end of the year.

Interests rates increased during quarter 1 of the financial year, Link Asset Services forecast additional increases until December 2023, peaking at 2.753%.

The first three months of the year observed the average daily cash balance reduce to £9 million, but yield on investments increased to 0.58%, with a cash return of £13,700 which was greater than the 2021/22 figure.

No additional borrowing had taken place during the first three months of 2022/23.

The greatest impact of Brexit on treasury management activity was the uncertainty felt across Europe, nationally and locally. Trade agreements had eased some of the uncertainty.

The economic impact was uncertain and difficult to assess due to parallel factors including global economic recovery following the pandemic and the war in Ukraine.

It was confirmed that counterparty limits or prudential indicators had not been breached, last year or this year.

Resolved – that we noted the report.

18 Draft Core Financial Statements 2021/22

Tony Furber, Principal Financial Accountant presented the Draft Core Financial Statements 2021/22. The report highlighted the process for the approval of the Statement of Accounts. It was corrected that within report it stated that the audit would be completed by the end of September, instead of November.

The draft of the accounts was in an advanced state and expected to be completed and delivered to the auditors within a matter of days.

The core statements and the supporting notes had been compiled; the supporting notes included the detailed expenditure and funding analysis which reconciled back to the final outturn position which had been reported to the Executive Cabinet.

The Business Rates Grant Exceptional Payment Reserve was associated to Covid funding. The council received a decrease in business rates due to discounts provided, however, the council received an increase in Section 31 grants from central government. This caused a displacement between years, and the reserves were used to fill the deficit, and as expected, the reserve was down just over £1.4 million.

The pensions deficit decreased from £55.5 million to just under £44 million. This was due £14.5 million surplus from the remeasurement of the pension fund assets.

Resolved – That the report be noted

19 CIPFA Resilience Index 2020/21

Steve Kenyon, Deputy Director of Finance presented the report that summarised the annual index compiled by CIPFA, the purpose was to provide an assurance of financial health.

CIPFA produced the reports through various statutory returns submitted during the year, and then reports are produced with 12 councils grouped together that have

similar social, demographic, and economic factors. It was highlighted that there were variances in the way councils reported their statutory returns that could create difficulties while making comparisons, however, the council was able to compare its previous performance. Being grouped with South Ribble allowed accurate comparable figures due to the shared finance service.

Reserve sustainability was scored on a scale of 100, and the council scored 100.

The council maintained 96.5% of its annual spend in reserve. The council placed 139th in the country, and the 10th in Lancashire.

All councils experienced an increase in the reserves due to the receipt of Covid-19 funds.

With regard to the council's level of interest payable, this reflected the high level of investment made in the borough. The income stream from the projects were healthy to support the revenue budget, however, the projects were funded from borrowing and required interest payments.

The council was midtable for external debt and scored high on fees and charges related to investment generated income. It was highlighted that the council held a strong council tax base.

Business growth rate was healthy and demonstrated that Chorley was a place that businesses wanted to locate to and grow. It was commented that all of the data within the report was a 'snapshot in time'. With regards to Business Rate growth, South Ribble had a particularly good year in 2020/21 due to a number of large assessments that came on stream that included the opening of a Tesco Supermarket, an Aldi, work completed on one of the trading estates and at the hospital which boosted the business rates for that year.

The council intended on increasing the monitoring of business growth rate to support the annual budget. More analysis to be completed to identify the top ten businesses in the borough, the businesses that were migrating in, and those that are developing and growing in Chorley.

The report provided independent assurance that the council was in a strong position and highlighted the benefits from the council's investments.

Resolved – That the report be noted.

20 Strategic Risk Review

Rebecca Aziz-Brook, Transformation & Change Team Leader presented the report and provided an annual update on the council's strategic risk register which identified any key risks to the organisation and the delivery of services. The report was reviewed by senior management to consider any changes to the risk scores and new actions to help mitigate risks.

The greatest risks involved funding uncertainty due to the current national economic picture and rising inflation. Resourcing and capacity due to the national job market and

skill shortage and cyber security which could impact services and cause reputational damage.

To mitigate the risks, strong control measures and actions were in place which included the new People Strategy, the council's governance framework and budget setting and monitoring processes.

From the last Strategic Risk Review, three risks had decreased whereas four increased.

The decreased risks included

- *'R2 – Failure to achieve desired outcomes through partnership working and deterioration in relationships.'*
- *'R4 – Failure to optimize opportunities for new ways of working.'*
- *R16 – Failure to manage the recovery from Covid-19 effectively.*

The decrease was due to the closer working relationships with partners, the familiarity and adoption of digital and workplace strategies and the reduced risk from the Covid-19 pandemic.

The increased risks

- *R3 – Budget challenges in key public and third sector partners having a negative impact on local level service delivery.* This was monitored and managed through the budget planning process.
- *R5 – Lack of resources to deliver the Council's priorities due to public sector funding cuts or lack of staff capacity and skills.* This risk was being mitigated with the review of management capacity to ensure good levels of capacity at leadership level and with the new People Strategy, which included specialist recruitment campaigns for technical roles, greater communication of vacancies with the development of apprentice and graduate programmes to develop from within to fill hard to recruit roles.
- *R10 – Failure to fully realise the benefits of new technology and related impact on driving organisational change.* Mitigated through new dedicated resources to drive the programme forward with the ICT plan.
- *R11 - Reduction in staff satisfaction and morale.* Mitigated through the close monitoring of wellbeing and morale through pulse surveys, and the People Strategy with opportunities for staff engagement, reward and recognition.

The new People Strategy had been drafted and due to launch in September. Proposals in place for the launch initiative around the graduate and apprentice programme, with development days to enable staff to have dedicated time to work on their development and skills in September and October. An action plan was to sit alongside the People Strategy that covered the next 12 months.

Resolved – That the report be noted.

21 RIPA Application Update

Chris Moister, Director of Governance reported that no RIPA applications had been made.

22 Governance Committee Work Programme 2022/23

Resolved – That the work programme be noted

Chair
I

Date