

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Wednesday, 20 November 2019

MEMBERS PRESENT: Councillor Debra Platt (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Yvonne Hargreaves and Steve Holgate

OFFICERS: Gary Hall (Chief Executive/Statutory Finance Officer), Chris Moister (Chief Legal Officer), Janice Bamber (Interim Audit and Risk Manager), Michelle Brennan (Auditor), Tony Furber and Ruth Rimmington (Democratic and Member Services Team Leader)

APOLOGIES: Councillor Eric Bell, Roy Lees and Kim Snape

OTHER MEMBERS: Charlotte Fitch (Independent Person), Peter Ripley (Independent Person) and Simon Hardman (Grant Thornton UK LLP)

19.G.87 Minutes of meeting Wednesday, 24 July 2019 of Governance Committee

Decision – That the minutes of the Governance Committee meeting held on 24 July 2019 be confirmed as a correct record for signature by the Chair.

19.G.88 Declarations of Any Interests

There were no declarations of any interests.

19.G.89 Treasury Management Activity Mid-Year review 2019/20

Tony Furber, Principal Financial Accountant, presented the report of the Chief Finance Officer which sets out Treasury Management performance in financial year 2019/20 to the end of September.

During the first six months of 2019/20, the Council had an average daily cash balance of £9.75m and earned interest of £32.6k, (return of 0.67%). The investment balance at the end of September was £5.5m.

During the second quarter of 2019/20 the Council undertook a major asset purchase. This had a significant impact on average daily cash balance, required temporary amendments to the approved Counterparty list and new long-term borrowing of £39.5m. A revised set of Prudential Indicators for 2019/20 was approved to incorporate the implications for the capital programme and borrowing limits.

In October 2019, the Public Works Loans Board (PWLB) unexpectedly announced an increase of 1% in the margin of its lending rates above gilt yields. The effect of this significantly increases the potential cost of future borrowing and raises the possibility of sources of borrowing other than the PWLB being a more affordable option in the future.

Members noted that there are no current plans for new major investment, but that the previous approach of generating revenue from commercial ventures is likely to continue. Other sources of borrowing will be investigated.

Decision: That the report be noted.

19.G.90 Update on the Chorley Council Capital Strategy

Gary Hall, Chief Executive and Chief Finance Officer, presented his report which updates Members on the Capital Strategy that was approved at Full Council on 26 February 2019.

Governance Committee are responsible for receiving an annual update on the strategy. The Capital Strategy's prudential indicators have been updated and the report sets out the income from the Council's investments. The Council will continue to be increasingly reliant on the net income (after borrowing costs) from its capital investments to fund its revenue expenditure budgets.

Capital expenditure has increased by £28m due to the purchase of the Logistics House site. Borrowing has increased, however it is all supported through income generated by the assets purchased as there is a 15 year lease.

Members noted that the performance indicators to measure the extent to which the Council's borrowing repayments are reliant on income (Council Tax, Business Rates, New Homes Bonus and net income from investments) is designed to highlight the impact of the level of debt to the net revenue budget. Currently the income has to be discounted which skews the performance when borrowing has been undertaken to generate income. The measure was designed prior to Council's undertaking commercial activity.

The Council has over £5.5m of reserves that can be used to manage potential revenue risks surrounding its capital programme. The risks undertaken by the Council are managed. Simon Hardman, Grant Thornton, highlighted that the Capital Strategy is considered as part of the Value for Money conclusion, particularly in relation to the arrangements to mitigate risks.

Members queried the figure of £300k to support local businesses and corporate priorities during the potential disruption caused by the UK's exit from the EU. The impact of Brexit is not yet known and there is potential to use this money for different schemes, such as Business Rate support.

Decision: To note the updates provided in the report including the four updated prudential indicators.

19.G.91 Chorley Borough Council Annual Audit Letter 2019

Simon Hardman, Grant Thornton, presented the Annual Audit Letter for Chorley Borough Council. The Letter is intended to provide a commentary on the results of External Audit work to the Council and its external stakeholders.

60 % of the opinions were given by 31 July and this was achieved due to the positive work undertaken by the Council in conjunction with the External Auditors. There were no matters which required the External Auditors to exercise their additional statutory powers.

Grant Thornton have given an opinion on the Council's financial statements and assessed the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). The audit was closed on 31 July.

Members queried the fees set out on page 39 of the report. The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 and PPE valuations needs to improve across local government audits. Grant Thornton have increased the level of scope and coverage to reflect this. Assessing the impact of the McCloud ruling has also had an impact on the fees. The total fees are a significant reduction when compared with fees charged previously. The need for quality audit and scrutiny was supported by Members.

Members noted the excellent work undertaken by the Finance officers, but noted that the projects undertaken by the Council, such as the Market Walk extension, Primrose Gardens extra care facility and the purchase of Logistics House, extend the range and scope of audit required.

It was noted that issues with PPE valuations and pensions will be raised as early as possible going forward to enable solutions to be found in a timely manner.

Decision: That the Annual Audit Letter for Chorley Borough Council 2019 be noted.

19.G.92 Audit Progress Report and Sector Update

Simon Hardman, Grant Thornton, presented the Audit Progress Report and Sector Update.

The opinion on the 2018/19 Statement of Accounts was issued on 31 July 2019. Planning for the 2019/20 audit has begun and a detailed audit plan, setting out the proposed approach to the audit of the Council's 2019/20 financial statements will be brought to the next meeting.

There is currently an issue with workbooks which are needed to complete the Housing Benefit Subsidy claim, but this should be resolved shortly.

Invitations for the annual workshop for the finance team have been sent and will take place early in 2020.

An independent review of local authority financial reporting and auditing is being undertaken by Sir Tony Redmond. Members highlighted the need for training for

newly elected Members to ensure robust decision making. The agenda item relating to plans for Induction later in the agenda was noted. The quality of reports, open Cabinet style of decision making and effective Scrutiny at Chorley Council were noted. Each Member has a responsibility to challenge and statutory officers can report issues directly to Council if necessary.

Decision: That the Annual Audit Letter for Chorley Borough Council 2019 be noted.

19.G.93 Audit Plan Progress Report April - October 2019

Janice Bamber, Interim Audit and Risk Manager, presented the report which provides a summary of Internal Audit work undertaken for Chorley Council and the Shared Services element for the period 1 April 2019 to 31 October 2019.

A number of resource issues arose last year in the Shared Assurance Service which impacted on the Internal Audit Service, initially relating to long term sickness and latterly relating to an investigation and Governance work for South Ribble BC.

The '% of audit plan completed' for this period (April – October 2019) currently stands at 10.2% (total of planned and unplanned work against the audit planned work). The level of completion of the audit plan is now being closely monitored and reviewed by the Interim Head of Shared Assurance and a plan has been put in place to address the shortfall in the planned work at Chorley BC. Two of the auditors have been assigned a number of audit reviews taken from the Chorley Audit Plan. This impact will lessen as the benefit of the temporary arrangements put in place comes to fruition. The completion of some major pieces of work including Creditors and GDPR Compliance review at SRBC along with the investigation work coming to a close will aid with the lessening of the current impact.

Two changes to the plan have been requested by officers. These are the deletion of the Time Credits review as this was not considered to be of significant risk. However, this is being replaced with a review of the funding and operation of the Syrian Resettlement funding.

Secondly, the Chief Legal Officer has requested the postponement of the Elections Audit, due to the impact of the imminent General Election, the Boundary review and all out elections in March as well as PCC elections at the same time would make it difficult to deliver in Q4.

The Environmental Permitting Regulations – follow up has been given a rating of adequate. Payroll has been given a rating of limited. Management actions have been agreed and the audit will be followed up in the next 3-6 months with an update reported to Governance Committee.

Members noted that where processes are aligned in Shared Services a joint audit could be undertaken.

Decision:

- 1. To consider and note the contents of the report.**
- 2. To note and approve the minor changes to the Audit Plan for 2019/20.**

Councillor Holgate left the meeting at 3.30pm.

19.G.94 Electoral Review update

Chris Moister, Chief Legal Officer, presented the report of the Returning Officer which outlines progress on the electoral review of Chorley Council, following the announcement of new warding arrangements being published by the Local Government Boundary Commission for England (LGBCE).

The LGBCE conducted an electoral review of Chorley Council in its 2018/19 work programme to correct voter equality throughout the borough. The LGBCE's final recommendations were announced on 26 March 2019 and resulted in -
The size of the council being reduced to 42 (from 47)

- 14 new borough wards
- Elections being held by thirds
- 3 councillors per ward

The draft order has now been confirmed by Parliament giving effect to the final recommendations. Since the LGBCE's announcement, work has been carried out to create new polling districts, which will be implemented with the new ward boundaries at the local election on 7 May 2020. As this election will be the first on the new warding arrangements, a whole of council election will be held. The Council will revert to electing its membership by thirds from 2022.

At the Council meeting on 21 January 2020, Members will have the opportunity to consider a report which will put forward recommendations of the preferred polling station premises for each ward. There is an expectation that most of polling stations used at present will remain as part of the polling station stock. However, due to changes to polling districts, a significant number of voters will have to attend a different polling station which may not necessarily be the closest to them.

Decision: To note the report.

19.G.95 Member Induction plans for May 2020

Ruth Rimmington, Democratic and Member Services Team Leader, presented the report of the Director of Policy and Governance setting out the plans for Member Induction following the all-out elections in May 2020.

At the meeting in June this Committee noted risk 14 on the Strategic Risk Register "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". This impacts on relationships with officers at all levels and inexperienced Members making decisions where robust decisions are essential.

The Council has a strong history of Member Development. The Member Support Working Group (a cross party working group) oversees the Member Development Programme and this includes the Induction for new Councillors.

Induction Day includes reference to the organization's expectation that new Members will undertake member development as part of their role and information about the opportunities the Council will provide to do that. It also includes advice about Member support from Democratic Services officers; IT support and training for iPads; and use of My Account to report ward/service problems.

The Induction also includes information on the new Councillor PDP process which starts around six months after election and is a one-to-one session to review their training needs after a short period in the role. At the end of the Induction Day new Councillors are given a pro forma to indicate those areas where they would like a one-to-one briefing with the relevant officer - for example a ward walk with a neighbourhood officer or the opportunity to shadow a member of staff in the Council's Contact Centre to understand those issues raised most by the public. All Members have access to the Induction handbook.

A new session will be held to meet key officers that newly elected Councillors may come into contact with and a tour (route yet to be determined).

Members noted the range of Member Learning Sessions and types of training available. A request for some specific training will be followed up by officers.

Decision: To note the report.

19.G.96 RIPA Application Update

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

Chair

Date