

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business undertaken at the Governance Committee meeting held on 16 September 2020.

16 September meeting

Update on the Statement of Accounts

2. Tony Furber, Principal Financial Accountant, gave a verbal update to the Committee. The draft Statements of Accounts are not yet available as there are a number of valuations outstanding. The rest of the accounts are ready, and it is hoped that the draft Statement of Accounts will be available in a few weeks.
3. There is no statutory requirement for the Committee to scrutinise the draft Statement of Accounts before it is signed by the Section 151 Officer before it is published on the Council's website, but it is stated within the Council's Constitution. The draft Statement was considered by the Committee a few days after it was published last year, but that will not be possible this year.
4. We agreed that the Chair and Vice-Chair be kept informed of progress and have sight of the draft Statement before it is signed by the Section 151 Officer.

Treasury Management Annual Report 2019/20 and Quarter One Monitoring 2020/21

5. Tony Furber, Principal Financial Accountant, presented the report of the Section 151 Officer which reports on Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2020. The report also presents monitoring figures for the quarter ended 30 June 2020, including updated interest rate forecasts from Link Asset Services.
6. We considered the Capital Expenditure and Financing 2019/20. The large increase in the revised budget and actual levels of expenditure is attributable to the major asset purchase undertaken at the beginning of September 2020, at a cost of £33.7m.
7. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR is not matched in full by external borrowing, so the Council is said to have under borrowed by using its own cash balances to finance capital expenditure. There is some loss of interest as a result, but had external loans been taken, then the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.
8. The Council's treasury management debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.
9. The working balances held at 31 March were higher than would normally be the case (the comparative figure for 2018/19 was £2.848m) because of the measures taken to ensure that sufficient funds were available to make the necessary payments of grant support to local businesses, in response to the onset of the Covid 19 pandemic.
10. Investment returns remained low during 2019/20. Given the relatively low returns available compared to borrowing rates, the Council has continued to achieve budget savings by maintaining a position of under borrowing, which means that it has used its

own cash balances to finance capital expenditure rather than taking additional external loans. The target to exceed for 2019/20 was 0.61% and this was achieved.

11. We noted the report.

External Audit Plan

12. Barrie Morris, Grant Thornton, presented the report and noted that the audit will commence later than anticipated due to the delay in signing off the draft Statement of Accounts. This may impact on the 30 November publication deadline.
13. Simon Hardman, Grant Thornton, reported that the risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:
 - Management override of controls
 - Valuation of land and buildings
 - Valuation of net pension fund liability
 - Accounting for the purchase of Logistics House
 - Covid-19 Pandemic
14. Risk assessment regarding arrangements to secure value for money have identified significant risks as being financial sustainability and the purchase of Logistic House.
15. We noted the independence of the external auditors, their fees and the overall update.

Internal Audit Annual Plan Progress Report Q1

16. Chris Moister, Director of Governance, presented his report which informs members of proposed restructures to the internal audit team and updates on the progress of the development of the audit plan for 2020/21.
17. 2020 has been particularly challenging. In addition to planned changes to the shared services being progressed, the unexpected consequences of the Covid-19 pandemic have led to reprioritisation of work to ensure continuity of service delivery.
18. Covid-19 has had particular impacts for the Internal Audit team. Work which would usually be delivered has been delayed although it is important to note that statutory requirements remain fulfilled. There has been a change in staffing in Internal Audit limiting both experience and capacity.
19. We noted the progress of the Annual Governance Statement Action Plan and the proposed audit plan for the year 2020/21. The audit plan is based on reviewing the actions carried over from last year and a risk based assessment of areas requiring audit. In addition, the commitments from the AGS are incorporated into the plan. It is intended to deliver the higher risk audits and report back to Governance Committee with more detail as to the audits to be undertaken this year and the capacity.
20. We noted the report and that Chorley Council has a strong Governance environment.

RIPA Application Update

21. Chris Moister, Director of Governance, reported that no RIPA applications had been made. A desktop audit has been undertaken by the Information Commissioners Office which found no significant issues. Two actions, to update the RIPA policy and revisit the protocol with the Police are being undertaken.

Recommendation

22. To note the report.

COUNCILLOR DEBRA PLATT
CHAIR OF GOVERNANCE COMMITTEE

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