

## **Report of Governance Committee**

1. This report summarises the business considered at the meetings of the Governance Committee held on 16 August and 25 November 2020.

### **Governance Committee 16 August 2020**

#### **Update on the Statement of Accounts**

2. Tony Furber, Principal Financial Accountant, gave a verbal update to the Committee.
3. The draft Statements of Accounts is not available as there are a number of valuations outstanding. The remaining accounts are ready, and the draft Statement of Accounts will be available shortly.
4. There is no statutory requirement for the Committee to scrutinise the draft Statement of Accounts before it is signed by the Section 151 Officer and 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.
5. We are to 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**

6. 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 ending 31 March 2020. The report also presents monitoring figures for the quarter ending 30 June 2020, including updated interest rate forecasts from Link Asset Services.
7. 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.
8. 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.
9. 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. 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:
  14. • Management override of controls
  15. • Valuation of land and buildings
  16. • Valuation of net pension fund liability
  17. • Accounting for the purchase of Logistics House
  18. • Covid-19 Pandemic
19. Risk assessment regarding arrangements to secure value for money have identified significant risks as being financial sustainability and the purchase of Logistic House.
20. We noted the independence of the external auditors, their fees and the overall update.

### **Internal Audit Annual Plan Progress Report Q1**

21. 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.

22. 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.
23. 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.
24. 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.
25. We noted the report and understood that Chorley Council has a strong Governance environment.

#### **RIPA Application Update**

26. Chris Moister, Director of Governance, reported that no RIPA applications have been made.
27. 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.
28. The update was noted.

#### **Governance Committee 25 November 2020**

##### **Treasury Management Activity Mid-Year Review 2020/21**

29. Tony Furber, Principal Financial Accountant presented the Treasury Management Activity Mid-Year Review 2020-21 Report.
30. The report did not contain anything unexpected considering the Covid-19 pandemic.
31. The Council achieved a return on interest for the first half of the year with a figure of 0.16%, although considered to be low, it was in excess of the target figure as available rates declined since March 2020, and the current target figure was 0.10%. The LIBID rate was at present a negative figure.
32. The average daily balance was twice what it was expected to be, and since March 2020, steps have been taken to ensure that the cash flow of the council was positive.

33. There was no borrowing for the first half of the year. Consideration was given to borrow earlier in February or March 2021, instead of planned August or September 2021.
34. PWLB rates decreased, but not as drastically as investment rates. At the start of the year the 50-year rate was forecast to be 3.1% for the year but is currently 2.3%. The current base rate is 0.10% and forecast to stay unchanged for at least 2.5 years.
35. We noted the report.

#### **Audit Findings Report**

36. Barrie Morris from Grant Thornton, updated and informed the Committee that the report could not be presented as the audit had not started.

#### **Audit Progress Report**

37. Barrie Morris from Grant Thornton presented the Audit Progress Report.
38. Grant Thornton are currently waiting for the full set of financial statements to begin the Audit work. There is also outstanding value for money work and planning enquiries that were made at the start of the year.
39. Finance Officers have made assurances that the statement of accounts will be completed by January 2021. Once received, the audit will be delivered.
40. Covid-19 impacted progress, and there were elements written prior to the start of the second lockdown.
41. James Thomson, Deputy Director of Finance added that there were issues with the valuation of assets and the report would not be ready for 30 November. A statement will be made on the Council's website. It is hoped that the audit would not run into 2021 financial year as it is desired to complete two audits simultaneously.
42. We noted the report.

#### **Internal Audit Annual Plan Progress Report April to October**

43. Chris Moister, Director of Governance provided the progress report.
44. There was a reluctance to blame Covid-19, but it is a cause for certain issues with the delivery plan. There are capacity issues with staff, as activities are undertaken by the Internal Audit Team to aid the Council's Covid-19 response to support local residents.
45. The manager of the Audit Team's temporary contract expired at the end of June 2020, and at the end of September an interim senior manager has been appointed pending recruitment. The service will be fully staffed in preparation for the start of the 2021 financial year.

46. In a small time frame, the Audit Team produced significant work towards Shared Services, small business grants, and benefits work.
47. Due to the implementation of Lancashire's tier 3 status and the second lockdown, it is unlikely that the full extent of the Internal Audit Plan will be delivered.
48. It was expected that the audit will carry over into the start of the next year's audit, but there is capacity to ensure both will be delivered.
49. We noted the report

**RIPA Application Update**

50. There had been no RIPA Applications.
51. We noted the update.

**Recommendation**

52. To note the report.

COUNCILLOR DEBRA PLATT

CHAIR OF GOVERNANCE COMMITTEE