

REPORT OF GOVERNANCE COMMITTEE

1. This report summarises the business transacted at the meetings of the Governance Committee on 17 January and 14 March 2013.

GOVERNANCE COMMITTEE – 17 JANUARY 2013

Independent Person

2. We welcomed Peter Ripley who was attending his first meeting of the Committee. Mr Ripley had recently been appointed as our Independent Person who would assist in assessing any complaints received against Elected Members under the new standards regime.
3. We were also introduced to Gareth Winstanley from the Council's new external auditor, Grant Thornton UK Ltd.

Standards Regime – Six Months Review

4. The Committee received a report of the Monitoring Officer that provided an update for Members in relation to complaints received under the new Code of Conduct regime. To date there had been one complaint received against two Chorley Councillors that had been resolved to the complainant's satisfaction by the Monitoring Officer and one complaint received as a standards complaint concerning a Parish Council. This complaint was not accepted as it related to the conduct of the Parish Clerk and did not therefore fall within the scope of the Code of Conduct.
5. There had been no adverse comment concerning either the procedure adopted nor the complexity of the new Code. All Members had now been offered training and the new regime had been well received. We asked if more information could be provided to help Members with the registering of any interests. The Monitoring Officer advised us that additional guidance had been given previously but that the new arrangements had moved away from the previous prescriptive process.

Granting of a dispensation

6. The Monitoring Officer submitted a report requesting authorisation from the Committee for the granting of a dispensation to all Chorley Councillors to allow them to participate in setting the rate of Council Tax by the Council for 2013/14. Under the previous standards regime, the legislation granted to members an exemption from the requirement to declare a prejudicial interest and leave the meeting when the council tax rate was set. This was to reflect the fact that all members would be financially affected by the decision.
7. The new standards regime no longer refers to prejudicial interests but instead talks in terms of pecuniary interests. The regime has been localised and there is no longer any blanket exemptions to allow members to participate in a decision when they have a pecuniary interest.

8. The Localism Act does provide for the granting of a dispensation when sufficient numbers of members would be prevented from participating in a decision so as to affect the ability of the Council to properly reach that decision and as all Members of Chorley Council are financially affected by the setting of the council tax rate, it was considered appropriate to grant a dispensation to all members to enable them to participate and vote on the setting of the Council Tax for the borough.
9. We had a discussion about those Councillors who had an interest in more than one property/business within the Borough and some members felt that the granting of a dispensation could be advantageous in such cases. The Monitoring Officer commented that Business Rates would be treated differently as they would not affect all Councillors ability to make an unbiased decision so therefore a dispensation would not be granted in this case.

Planned Audit Fee for 2012/13

10. I welcomed Gareth Winstanley to the meeting of the Committee, Mr Winstanley is the Engagement Manager for Grant Thornton and he explained that his company were delighted to have been appointed by the Audit Commission as auditors for Chorley Council and were looking forward to providing a high quality service for at least the next five years.
11. The Audit Commission had set its proposed work programme and scales of fees for 2012/13 and a letter detailing the audit fees for the Council along with the scope and timing of the works was presented to the Committee.
12. The Commission has independently set the scale of fee for all bodies and for 2012/13; the fee for Chorley Council will be £59,440, which was a comparative reduction of 40% on fees for 2011/12. This reduction was mainly around there no longer being the need to contribute to the central administration costs of the now disbanded Audit Commission.
13. It was explained that the fee was based on a risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13 and covered, the audit of the financial statements, the conclusion on the economy, efficiency and effectiveness of our resources (the value for money conclusion) and work on the whole of government accounts return.
14. The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This fee has been adjusted to reflect a reduction in the number of schemes which required auditor certification and also incorporated a 40% fee reduction, resulting in a fee of £12,350 for the grant certification of the authority.

Internal Audit Update

15. We received a report of the Head of Shared Assurance Services advising the Committee of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services for 1 April to 30 November 2012. We were provided with a snapshot of the overall progress made in relation to the 2012/13 Internal Audit Plans, indicating which audits had been completed and their control rating, those that were in progress or yet to start. We also received information on the time planned and actually spent on each audit. Members asked questions in relation to the secure storage of personal data and lone working arrangements for staff.
16. Members noted that all the plans were on target to be achieved and of the eight reviews completed to date, 6 had been given a substantial or adequate assurance rating. However, two reviews, Disaster Recovery and Penetration Testing had been given limited assurance ratings.
17. The Head of Shared Assurance Services gave a detailed explanation as to why the two reviews had received this rating and what action had been taken to make improvements. The Chief Executive reported that all the agreed management actions would be completed by the end of the financial year.

Annual Governance Statement

18. The Committee received a report of the Head of Shared Assurance Services that gave an update on the progress made to implement several enhancements to the council's system of governance as identified in the 2012 Annual Governance Statement (AGS).
19. At the June meeting of the Governance Committee, we had been asked to review the draft AGS for 2012 which had been produced in accordance with CIPFA/SOLACE guidelines. The AGS had been subsequently signed by the Leader and Chief Executive before being submitted for external audit alongside the 2011/12 financial statements. The Audit Commission had since issued an unqualified opinion on those statements.
20. The corporate self-assessment had identified several opportunities to enhance the Council's governance arrangements that were outlined in the report and Members were provide with an Action Plan of the agreed improvements and action to date.

GOVERNANCE COMMITTEE – 14 MARCH 2013

Treasury Management – Counterparty Limits

21. The Committee received a report of the Chief Executive that sought approval for the removal of the three month restriction that currently applied to investments with all counterparties other than the part nationalised banks. In September 2011 the Council's treasury advisor, 'Sector' had recommended that a temporary limit of three

months be placed on all investments with financial institutions other than the part nationalised banks in response to rising concern about financial markets particularly in Eurozone.

22. 'Sector' was now recommending that this limit be lifted as excess market fears had since subsided and liquidity had improved. Three factors had contributed to this, the ECB announcement of unlimited support to sovereigns, UK initiatives that had given banks access to cheaper funding and the avoidance in the USA of the "fiscal cliff".
23. We were informed that the removal of the limit was unlikely to have an immediate effect as very few UK banks had a credit rating that would justify an investment for more than three months, and those that did usually only dealt with larger sums, or in different markets than the Council, so we granted approval of the restriction.
24. We were also informed that the UK's sovereign rating had been downgraded by one notch to AA1 with reasons cited as weak prospects for growth, expectations of higher public debt levels and the consequential reduction in the ability of the economy to absorb unexpected economic shocks. These concerns ultimately had the potential to result in higher borrowing cost, but the downgrade itself was not expected to have any immediate effect since it had been expected and already factored into market reasoning.

Update of the Code of Corporate Governance

25. The Head of Governance submitted a report on the updates to the Code of Corporate Governance to reflect a change to the regulations in 2012. The Council are required to adopt a Code of Governance demonstrating how the authority complies with legislative requirements, the principles of good governance and management processes.
26. The most significant amendment to the Code was to reflect the changes imposed by the Accounts and Audit Regulations 2011. Fundamentally, this change replaced the need to produce a Statement of Internal Control with the Annual Governance Statement.
27. The other significant change was the removal from the Control Measures to have meetings in public unless absolutely necessary. This is now a legal requirement and processes had been adopted to ensure that this is the case in any event including the incorporation of confidential items on the Notice of Key Decisions.
28. Assurance was given that training would be offered to all Members on the Code of Conduct on an annual basis and the Committee approved that the update to the Code be adopted by the Council.

Standards Update

29. We received a report of the Monitoring Officer updating us on two standards complaints that had been concluded in the preceding three months and details of the issues were outlined in the report. One of the complaints had included the use of twitter and the Independent Person had made some recommendations regarding guidance on the use of twitter for Members in the future.
30. Chorley Council had not issued a protocol on the use of twitter but had issued a brief guide and in line with the advice given it was proposed to make some amendments around the use of twitter. Members also considered that there should be clarity as to when a Councillor was acting in that capacity and requested that training be provided.

External Audit Plan as at 31 March 2013

31. We received the External Audit Plan for the Council as at 31 March 2013 that had been submitted by Grant Thornton, the authority's external audit providers.
32. A risk based audit of the Council had been undertaken that focused on those areas where there was a potential risk of material misstatement in the accounts and no specific risks had been identified for Chorley. The two risks that were listed in the report were generic to other Local Authorities and we were assured that the necessary controls for Chorley already existed.
33. Interim audit work was currently being undertaken in advance of the final accounts audit fieldwork and at this stage there were no significant issues to report and it was explained to the Committee that the Value for Money (VfM) conclusion was a requirement to ensure that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources and focuses on securing financial resilience.

Audit Committee Update

34. The External Auditors provided the Committee with a report on the progress made in delivering their responsibilities to the Council. It also included a summary of the relevant emerging national issues and developments and included a number of challenge questions for us to consider.

Certification Work Report

35. The Committee received a report detailing the certification work that had been carried out for the authority during the period 2011/12. The Council's external auditors and acting as agents of the Audit Commission are required to certify claims submitted by the Council and we were informed that two claims and returns, the housing and council tax benefit scheme and National non-domestic rates return, had been certified for the 2011/12 financial year relating to expenditure of £55.6 million.

36. The report also summarise the overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims.

Internal Audit Plan 2013/14

37. The Head of Shared Assurance Services submitted a report on the Internal Audit Plan for 2013/14. The report reminded Members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council, summarised and explained the basis of the Plan and sought its approval.
37. We approved the 2013/14 Internal Audit Plan contained the programme of reviews for the next financial year and had been constructed following a risk assessment which contained a range of risk factors, such as the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time an area was last audited. There had also been extensive consultation within each service and by Strategy Group which had taken an overview of audit requirements.
38. In addition to the work programme for Chorley Council and Shared Services, we were reminded about the provision of Internal Audit services to St Catherine's Hospice and given assurances that this work had been built in the programme. It was further explained that management layers had been removed to secure efficiencies from within the service.

Update on Strategic Risk Register

39. We received a report of the Chief Executive that provided updates to the Strategic Risk Register for 2013/14. This register is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which need to be managed strategically.
40. The updated Strategic Risk Register included twelve strategic risks to the Council and included actions in progress as well as new actions planned to mitigate identified risks. Five scores had increased primarily due to climate changes and two scores, failure to realise the benefits of new technology and related impact on driving organisational change and incidents affecting service delivery/business continuity or even wide widespread damage, injury or risk to the public had decreased as they had improved since the last report.
41. Some of the risks were linked with each other and we asked what would happen if the decreased performance of one risk caused a knock-on effect to others. It was explained that each risk would be assessed accordingly in response to any changes and that the relevant controls would be implemented to address any changes.

Independent Person

42. Since the Independent Person has been appointed to support the new standards regime he has been called upon to give advice on a number of standards issues and

as the position was not remunerated the Monitoring Officer asked the Committee to consider if this was still deemed appropriate even though, as pointed out, the Independent Person had taken up the post willingly without pay.

43. In advance of the meeting the Monitoring Officer had contacted neighbouring authorities who have indicated that they attach an allowance to the post as a way of retaining staff and experience.
44. Under the previous Standards arrangements the Standards Committee was chaired by an Independent Member and an annual allowance was paid. Although the situation has since changed, the Committee considered that the position was still of great importance to the Council and as such should be recognised, so we recommended for the position be assessed by the Independent Remuneration Panel.

Recommendation

45. That the report be noted.

COUNCILLOR PAUL LEADBETTER
Chair of Governance Committee

DS