

## **REPORT OF GOVERNANCE COMMITTEE**

### **GENERAL REPORT**

1. This report summarises briefly the items that were considered by the Governance Committee at its meeting on 12 September 2013.

#### **Strategic Risk Register Update**

2. We received a report updating us of the Strategic Risk Register that included 13 strategic risks to the Council that included actions in progress or planned to further mitigate identified risks.
3. All the risks had been re-assessed and the register indicated whether there had been a change since the last review in March with reasoning given for the scoring. Most categories remained at the same level given the current funding situation and impact on resource with six areas being identified as 'high risk'.
4. The highest risk remains as budget cuts in key public and third sector partners given the negative impact this could potentially have on local service delivery. A number of other risks also scored highly reflected the increasing pressure to maintain performance in a challenging economic environment. Retaining good staff morale is key to the authority to avoid a negative impact on performance.
5. On new risk that had been identified was the failure to react to changing service demand. This risk referred to the ability of the organisation to continue to meet changing customer demand for services in light of reducing resources. In order to mitigate this risk, the Council must monitor, manage and reduce demand by working to change customer expectations and driving down the cost of delivery to make service more sustainable. This linked to the reductions in income and changes around welfare reform.
6. The risk relating to the implementation of new technology had again been downgraded due to significant progress of the ICT program with several projects now having been delivered.

#### **Annual Governance Statement**

7. The Head of Governance presented the Annual Governance Statement for 2012/13 that had been amended slightly following advice from our external auditors. Members were informed of the changes that included an explanation of the combined role and responsibilities of the Chief Executive being expanded upon.

#### **External Audit Finding Report for Year Ended 31 March 2013**

8. We received a report of our External Auditor on their audit findings for the authority for the year ending 31 March 2013 that highlighted the key matters arising for the Council's financial statement. The key messages were that the Auditor intended to issue an unqualified opinion on the Statements and Value for Money conclusion.
9. The Council had made no material amendment to the financial statements. During 2012/13 the Council had reviewed its provision of £1.75m to meet pension fund liabilities relating to staff transferred to Chorley Community Housing Ltd arising from the housing stock transfer. There would however, be no impact on the Council's overall reported financial position.

10. Two unadjusted mistakes were also reported and would be corrected for 2013/14. These were both presentational changes to ensure greater clarity and understanding.
11. No significant weaknesses of internal control had been identified and a positive report had been received on the quality of accounts and supported workings. The Council had a good track record for delivering efficiencies and sound financial management arrangements were in place.

### **Statement of Accounts 2012-13**

12. We received a report of the Chief Executive that sought approval of the audited Statement of Accounts, ready for its publication by 30 September 2013 under the requirement of the Accounts and Audit Regulations 2011.
13. Figures in 2011/12 and 2012/13 had been restated so that £1.75m was shown as being transferred into Earmarked Reserve rather than a Long Term Provision as at 31 March 2012, instead of 31 March 2013.
14. Our External Auditor intended to issue an unqualified opinion for both the Statement of Accounts and Value for Money Conclusion and to indicate that there are no significant weaknesses in internal controls to highlight. Members were assured that the misstatement in respect of £1.75m Earmarked Reserve would have no overall impact on the overall reported financial position. The two unadjusted misstatements would be corrected in 2013/14 because they had no material impact in 2012/13.
15. We asked for a detailed breakdown to be provided of the 'other' category that had been listed under Capital Expenditure in 2012/13, further details were also sought on the amount of prudential borrowing that had been undertaken in addition to the total amounts of grants and contributions received.
16. We approved the audited Statement of Accounts and the Letter of Representation for signature by the Chief Executive and myself, as Chair of Governance Committee. The Statement of Accounts would be published on the Council's website.

### **Review of the Councils Arrangements for Securing Financial Resilience**

17. A report of the Council's External Auditors, Grant Thornton was received by the Committee. As part of the work that they undertake in supporting the authorities Value for Money conclusion, part of the statutory audit includes a review to determine if the Council has proper arrangements in place for securing financial resilience.
18. The financial resilience of the Council had been reviewed by looking at its key indicators of financial performance and the authorities approach to financial planning, finance governance and financial control.
19. Further detail was provided on all the risk areas identified and given a RAG rating, with the overall assessment for the four areas being rated as Green. The overall conclusion was, that whilst the Council faced challenges, particularly from 2014/15 onwards with significant reductions in future government funding, its current arrangements for securing financial resilience were good.
20. The Council had continued to reduce its sickness absence levels with an average of 5.44 days per FTE lost to sickness in 2011/12. This had been lower than the average across both the public and private sector and although the latest information for 2012/13 had shown a slight increase to 7.27 FTE, the Council understood the reasons why and had already put in place a series of actions to address the increase.

21. The Councils reserves were notably lower in comparison to our neighboring authorities and we discussed the merits of retaining such low balances going forwards. It would be important for the Council to keep a close review on the context of changing risks and uncertainties around our financial position in the medium to long term.
22. We also discussed the risk in relation to borrowing. The Council had to weigh up the cost of borrowing against the interest gained on that borrowed amount. A judgment had to be made as to when was the best time to borrow to minimise that risk.
23. Assurances were sought as to the decision making processes of the shared arrangement in place between Chorley and South Ribble. It was explained that although both Councils undertook staff sharing processes, this did not extend to decision making and that each Council made its own decisions according to their individual circumstances.

### **Treasury Strategies and Prudential Indicators 2013/14 to 2015/16**

24. We received a report of the Chief Executive that reported on performance and compliance with Prudential Indicators for the 2013/14 financial year to the end of August.
25. Expenditure due to be financed by Prudential Borrowing totaling £0.192m had been rephased from 2012/13. Taking both years together, estimated financing by Prudential Borrowing had not increased, and may reduce if further expenditure was rephased to later years. Interest rates had increased over the past six months and were expected to continue. Any increase in borrowing would need to be reflected in the revenue budget.
26. The Capital Financing Requirement (CFR) had been recalculated to reflect rephasing of borrowing from 2011/13 and the revised Minimum Revenue Provision (MRP) for 2013/14. Net borrowing was expected to be much lower than the CFR in 2013/14. The Operational Boundary for External Debt needed to be increased to include long term liabilities and to match borrowing at the start of the year, which was higher than was estimated at year end.
27. With regards to the Council's Icelandic Investment, the out-turn report for 2012/13 had tracked an original investment of £2.0m to the amount owing as £0.83m as at 31 March 2013. Members were informed that the Council had been approached via Bevan Brittan, who represented 89 local authority creditors and 7 other priority creditors, regarding the possible sale of Landsbanki claims. At present, the possible sale, remains as 'in principle' proposal. Should a formal auction process be progressed a decision would have been made as to whether the Council wished to sell its claim.
28. Members were updated at the meeting that the Council had just been allocated an additional repayment installment, although the actual amount had yet to be confirmed and receipted. Although this was encouraging, given the time that this had taken, we still considered and recommended that the best option would be for the authority to work with the other Councils to sell of its debt for the best available price.

## **Internal Audit Interim Report as at 26 July 2013**

29. The Head of Shared Assurance Services submitted a report advising the Committee of the work that had been undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period 1 April to 26 July 2013. The report demonstrated that the Audit Plans were on target to be achieved and that the majority of the performance indicators had either been achieved or had been exceeded.
30. Only one review had received a control rating of Limited. A review of mobile phones, requested by the Head of ICT had identified a number of control weaknesses in the administration and management of mobile phones. Management actions had been agreed relating to the mobile phone policy, improvements to the allocations criteria and a review of management information that included usage.
31. The review of CCTV had taken longer than had been originally intended due to the incomplete nature of the existing usage and performance information relating to how CCTV had a tangible and demonstrable impact on crime and disorder in the Borough. An interim report of work up to date had been produced and the deadline extended.
32. We were also informed that a member of the Internal Audit team had been successful in the recent Institute of Auditor examinations and we offered our congratulations on this achievement.

### **Standards Cases Review**

33. We received a confidential report informing Members of the nature and treatment of standards complaints. The report also sought confirmation as to the type of complaints that were being received and the approach taken by the Monitoring Officer in resolving them since the Council had adopted a new code of conduct and standards regime in July last year.
34. In accordance with the view of Members and legislation it had been set up on a light touch basis. Concerns had been expressed within the Council that this may lead to a significant rise in allegations against Members for a breach of the Code. This report confirmed the actual number of complaints that had been received and their treatment. It was agreed that training on social media would be provided to all Members of the Council.

### **Recommendation**

35. To note the report

Councillor Paul Leadbetter  
Chair of Governance Committee

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