

Governance Committee

Thursday, 12 September 2013

Present: Councillor Paul Leadbetter (Chair), Councillor Alison Hansford (Vice-Chair) and Councillors Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt

Also in attendance

External representatives: Peter Ripley (Independent Person) and Gareth Winstanley (Grant Thornton UK LLP)

Officer: Gary Hall (Chief Executive), Chris Moister (Head of Governance), Michael Jackson (Principal Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Chris Sinnott (Head of Policy and Communications), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

13.G.36 APOLOGIES FOR ABSENCE

There were no apologies for absence.

13.G.37 MINUTES

RESOLVED – That the minutes of the Governance Committee meeting held on 27 June 2013 be confirmed as a correct for signing by the Chair.

13.G.38 DECLARATIONS OF ANY INTERESTS

No declarations of any interest were received.

13.G.39 STRATEGIC RISK REGISTER UPDATE

The Committee received a report giving an update of the Strategic Risk Register which included 13 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

The Strategic Risk 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.

All the risks had been re-assessed and the register indicated whether there had been a change since its last review in March with reasoning for the scoring. Most of the risk categories remained at the same level given the current funding situation and impact on resource with six areas identified as 'high risk'.

The highest risk remained 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 scoring 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.

One new risk added to the register 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 services more sustainable. This linked to reductions in income and changes around

welfare reform. There was an increased likelihood that people may need access a wide range of services not needed before. The Council would look to develop a range of early intervention programmes and adapt to different ways of operating to help mitigate this risk.

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. Members asked if there was evidence of what benefits or efficiencies these projects had delivered against the investment made and were informed that this was due to be reported to Executive Cabinet.

RESOLVED – That the report be noted.

13.G.40 ANNUAL GOVERNANCE STATEMENT 2012/13

At the last meeting of the Committee, the Head of Governance had presented a report reminding the Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.

Following advice by our external auditors, the Statement had been amended slightly and Members were informed of those changes that included an explanation of the combined role and responsibilities of the Chief Executive being expanded upon.

RESOLVED – That the report be noted.

13.G.41 EXTERNAL AUDIT FINDINGS REPORT FOR YEAR ENDED 31 MARCH 2013

The Committee 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 statements.

The key messages were that the Auditor intended to issue an unqualified opinion on the Statements and Value for Money conclusion.

The Council had made one material amendment to the financial statements. During 2012/13 the Council 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 was however, no impact on the Council's overall reported financial position.

Two unadjusted misstatements were also identified and would be corrected going forwards, these were presentational changes to ensure greater clarity and understanding.

No significant weaknesses of internal control had been identified and a positive report had been received on the quality of the accounts and supported workings. The Council had a good track record for delivering efficiencies and sound financial management arrangements were in place.

RESOLVED – That the report be noted.

13.G.42 STATEMENT OF ACCOUNTS 2012-13

The Chief Executive presented a report that sought approval of the audited Statement of Accounts for its publication by 30 September 2013 under the requirement of the

Accounts and Audit Regulations 2011. Once approved the signed Statement would be published on the Council's website.

Figures in 2011/12 and 2012/13 had been restated so that £1.75m was shown as being transferred into an Earmarked Reserve rather than a Long Term Provision as at 31 March 2012, instead of 31 March 2013.

Our External Auditor intended to issue an unqualified opinion for both the Statement of Accounts and the Value for Money Conclusion and to indicate that there are no significant weaknesses in internal controls to highlight. The adjusted misstatement in respect of £1.75m Earmarked Reserve would have no impact on the overall reported financial position. Two unadjusted misstatements would be corrected in 2013/14, because they had no material impact in 2012/13.

Members asked for a detailed breakdown to be provided of the 'other' category that had been listed under Capital Expenditure in 2012/13 as this was actually the largest amount. This was something that had been agreed to be done last year. Further details were also sought on the amount of prudential borrowing that had been undertaken in addition to the total amount of grants and contributions received.

RESOLVED

- 1. That the report be noted.**
- 2. That the audited Statement of Accounts for 2012/13 be approved.**
- 3. That the Letter of Representation be approved for signature by the Chair of Governance Committee and Chief Executive.**

13.G.43 REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE

A report of the Council's External Auditors, Grant Thornton was received by the Committee. As part of the work they undertaken in supporting the Council's Value for Money conclusion, part of the statutory audit included a review to determine if the Council had proper arrangements in place for securing financial resilience.

Consideration had been given as to whether the Council had robust financial systems and processes in place to manage its financial risks and opportunities, to secure a stable financial position that enabled it to continue to operate for the foreseeable future.

The financial resilience of the Council had been reviewed by looking at the key indicators of financial performance and the authorities approach to financial planning, financial governance and financial control.

Further detail had been provided on all the risk areas identified and given a RAG rating. The overall assessment for the four areas was rated as Green, with an overall conclusion, 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.

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. Although the latest information for 2012/13 had shown a slight increase to 7.27 per FTE, the Council understood the reasons why and had already put in place a series of actions to address the increase.

The Councils level of reserves was notably lower in comparison to its neighbouring authorities and Members discussed the merits of retaining such low balances going forwards. It would be important for the Council to keep this under close review in the

context of changing risks and uncertainties around the financial position in the medium to long term.

Members 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 judgement had to be taken as to when was the best time to borrow in order to minimise that risk.

Assurance was sought as to the decision making processes of the shared arrangement 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.

RESOLVED – That the report be noted.

13.G.44 TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2013/14 TO 2015/16

The Committee received a report of the Chief Executive that reported on the performance and compliance with Prudential Indicators for the financial year 2013/14 to the end of August.

Expenditure due to be financed by Prudential Borrowing totalling £0.192m had been rephrased from 2012/13 to 2013/14. Taking both years together, estimated financing by Prudential Borrowing had not increased, and may reduce if further expenditure is rephrased 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.

The Capital Financing Requirement (CFR) had been recalculated to reflect rephrasing of borrowing from 2012/13 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.

With regards to the Councils Icelandic Investment, the out-turn report for 2012/13 had tracked the original investment of £2.0m to the amount owing as £0.83 m as at 31 March 2013. 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 progress a decision would have to be made as to whether the Council wished to sell its Landsbanki claim.

Members were updated at the meeting that the Council had just received an additional repayment instalment although the actual amount had not yet been confirmed. Although this was encouraging, given the time that this had taken, the Council still considered its best option to be working with the other Councils to sell off the debt for the best available price.

RESOLVED

- 1. That the report be noted.**
- 2. That the Council be recommended to increase the Operational Boundary for External Debt for 2013/14 to £7.285m.**

13.G.45 INTERNAL AUDIT INTERIM REPORT AS AT 26TH JULY 2013

The Head of Shared Assurance Services submitted a report advising Members 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.

A table provided a summary of the audit work completed during the period with any control issues identified. Only one had received a control rating of Limited. A review of mobile phones had identified a number of control weaknesses in the administration and management of mobile phones. Management actions agreed relating to the mobile phone policy, improvements to the allocations criteria and a review of management information including usage.

Members asked if the report on the mobile phone review could be taken to a meeting of the Member support Working Group, as they were currently considering Members option in relation to mobile phone allocation.

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 the use of CCTV had a tangible and demonstrable impact on crime and disorder in the Borough. An interim report covering the work up to date had been produced and the deadline extended. Members were assured that this piece of work did not affect the programmed implementation of any new CCTV schemes or investment into new equipment.

A member of the Internal Audit team had been successful in the recent Institute Auditor examinations and the Committee offered their congratulations on this achievement.

RESOLVED

- 1. That the report be noted.**
- 2. That the report on the Mobile Phone Review be taken to the Member Support Working Group for information.**

13.G.46 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting for the following items of business on the ground that it involved the likely disclosure of exempt information as defined in Paragraph 7c of Part 1 of Schedule 12A to the Local Government Act 1972.

13.G.47 STANDARDS CASES REVIEW

The Monitoring Officer submitted a confidential report that informed 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.

The Council had adopted a new code of conduct and standards regime in July last year. In accordance with the view of Members and legislation it had been set up on a light touch basis. Concerns had been expressed in 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.

RESOLVED

- 1. That the report be noted.**
- 2. That training on social media be delivered to all Members of the Council.**

Chair