



**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Wednesday, 14 January 2015

**MEMBERS PRESENT:** Councillor Paul Leadbetter (Chair), Councillor Peter Goldsworthy (Vice-Chair) and Councillors Julia Berry, Anthony Gee, Matthew Lynch, June Molyneaux and Mick Muncaster

**OFFICERS:** Gary Hall (Chief Executive), Chris Moister (Head of Governance), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

**APOLOGIES:** Councillor Margaret France

**OTHER MEMBERS:** Peter Ripley (Independent Member), Gareth Winstanley (Grant Thornton Plc)

**15.G.42 Minutes**

**RESOLVED – That the minutes of the Governance Committee meeting held on 19 September be confirmed as a correct record for signing by the Chair.**

**15.G.43 Declarations of Any Interests**

No declarations of any interests were received.

**15.G.44 Annual Audit Letter 2013/14**

The Committee received a report of our external auditor that provided a summary of the work carried out by them at Chorley Council for the year ended 31 March 2014.

The letter communicated key messages to the Council and external stakeholders, including members of the public. The report includes the audit conclusions which were provided in relation to 2013/14.

The work on certification of grant claims is now completed and the detailed findings are reported in the Grant Certification report later on the agenda.

**RESOLVED - That the report be noted**

#### **15.G.45 Certification Letter 2013/14**

A letter of certification from the Council's External Auditors, Grant Thornton was received by the Committee. As part of the work they undertake they are required to certify certain claims and returns submitted by the Council.

One claim for housing benefits had been certified for the financial year 2013/14 relating to expenditure of £26.2 million. There were no issues arising from the certification work that needed to be highlighted for further attention and they were satisfied that the Council had the appropriate arrangements in place to complete accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 was based upon the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes that no longer required certification such as the national non domestic rates have been removed and the fees for certification of housing benefit subsidy claims had been reduced by 12 percent to reflect the removal of council tax benefit from the scheme.

**RESOLVED - That the report be noted.**

#### **15.G.46 Governance Committee Update**

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in relation to these issues that the Committee may wish to consider.

The 2014/15 Audit Plan was still on track to be issued by the end of March and would be presented at the Committee's next meeting. Interim fieldwork visits included, a review of the authority's control environment, early substantive testing and a proposed Value for Money conclusion.

**RESOLVED – That the report be noted.**

#### **15.G.47 Treasury Strategy and Prudential Indicators 2014-15 - Mid-Term Review**

The Committee received a report of the Chief Executive that reported on the Council's performance and compliance with Prudential Indicators in the 2014/15 financial year to the end of November. The report took into account changes to the revenue and capital budgets reported to Executive Cabinet through the year and the Prudential Indicators had been updated to reflect rephrasing of the capital expenditure and changes to financing.

The Capital Financing Requirement (CFR) had been recalculated to reflect rephrasing of capital expenditure to be financed by borrowing from 2013/14, and from 2014/15 to later years and the Committee were informed that net borrowing to gross borrowing and other long term liabilities less surplus cash invested was expected to be much lower than the CFR in 2014/15.

The average interest earned was 0.64%, to the end of November. However, cash balances had been used as a source of internal borrowing to minimise external borrowing at higher rates of interest, thereby achieving revenue budget savings.

The report also reviewed a number of issues arising in the UK banking sector. Whilst no immediate change to investment counterparties was required, regulatory changes may have an impact on the ratings given to UK banks and the authority's list of counterparties will be reviewed and presented for approval with the Council's Investment Strategy for 2015/16.

Members of the Committee sought clarification on how much debt the Council actually had and the Chief Executive explained that the amount was reflective of how much the authority needed to borrow at a particular time. Assurance was also given that the authority refinanced appropriately when interest rates lowered

**RESOLVED - That the report be noted.**

#### **15.G.48 Members Code of Conduct: Members discharging the role of a Councillor**

The Monitoring Officer submitted a report that sought guidance from the Committee about the point at which Members are deemed to be discharging their role as a Councillor.

Although there have been relatively few complaints made against the conduct of members, one of the issues that is frequently the cause for discussion between the Monitoring Officer and the Independent Person is "when a Councillor is acting as a Councillor?" Using guidance from under the previous standards regime, this had a high threshold. Given that the new regime was intended to be light touch, the Monitoring Officer had been following the guidance by the Standards Board for England following the Ken Livingstone case. However, the Independent Person had indicated a view that this approach is too restrictive; a view supported by members of the Governance Committee who have expressed a view that members of Chorley Council should routinely demonstrated higher standards of behaviour than that required of by the local standards regime.

Any change in approach would have to be brought to the attention of all members and although this would not require a constitutional change the guidance note would be amended to reflect any changes for approval of full Council.

The report prompted detailed discussion by the Committee and it was proposed to pursue the matter further with all Councillors through their group meetings.

**RESOLVED – That the Members of the Committee would raise this in their group meetings and opinions be brought back to the next meeting of the Committee.**

#### **15.G.49 RIPA Application Update**

The Monitoring Officer reported that there had been no RIPA applications made.

#### **15.G.50 Exclusion of the Public and Press**

**RESOLVED – To exclude the press and public for the following items of business on the ground that it involves the likely disclosure of exempt**

**information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972.**

**15.G.51 Internal Audit Interim Report as at 28 November 2014**

The Head of Shared Assurance Services presented a report advising the Committee of the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period August to November 2014 and to give an appraisal of the Internal Audit Services' performance to date.

Only one area audited had been rated as Red. The review of Plant and Equipment had identified a lack of internal control which exposed the Council to significant risk of misappropriation and financial loss.

The internal audit team continues to work with Street Scene to ensure that all agreed management actions are implemented in full. Members were informed that this rating would stay in place until the area was audited again to ensure that robust arrangements were still in place.

The report also provided the Committee with a 'snapshot' of the overall progress made in relation to the 2014/15 Internal Audit Plans, indicating which audits had been completed and their control rating, those that are in progress or yet to start and Members noted that both Audit Plans were on course to be achieved.

**RESOLVED – That the report be noted.**

Chair

Date