

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE **Wednesday, 24 January 2018**

MEMBERS PRESENT: Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Danny Gee, Debra Platt and Kim Snape

OFFICERS: Gary Hall (Chief Executive/Statutory Finance Officer), Rebecca Huddleston (Director (Policy and Governance)), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer), Garry Barclay (Head of Shared Assurance Services), James Thomson (Principal Management Accountant), Michael Jackson (Principal Financial Accountant), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

APOLOGIES: None.

OTHER MEMBERS: Councillor Margaret France, Mark Heap (Grant Thornton UK LLP) and Simon Hardman (Grant Thornton UK LLP)

18.G.1 Declarations of Any Interests

There were no declarations of any interests.

18.G.2 Minutes of meeting Wednesday, 20 September 2017 of Governance Committee

RESOLVED – That the minutes of the Governance Committee meeting held on 20 September 2017 be confirmed as a correct record for signing by the Chair.

18.G.3 HCA Audit of Cotswold House Project

The Committee received a report of the Chief Finance Officer that updated on the Homes and Communities Agency (HCA) audit of the Cotswold House project, as well as lessons learnt and future actions. This would include any actions for the presumed audit of the Primrose Gardens project.

Chorley Council had received £658k allocation from the HCA towards the £858k refurbishment and extension of Cotswold House, with work beginning in August 2016. The initial tender for the work came in £200k under budget and in February 2017 the council received telephone confirmation that the project could carry out further works

to the building using the grant allocation. The second phase of work was carried out in June 2017.

The Council had received notification in June 17 that it had been selected from a list of projects in the North West of England to be subject of an audit. Grant Thornton were appointed as the auditors.

The audit findings gave 'No' answers to eight questions that had different severity ratings. Although the Council has the opportunity to respond, the likelihood is that the project is likely to receive a red grade for its audit. It should however be pointed out that red grades are common for a Local Authority undergoing its first audit.

It was noted that there had been no money expended on the project that did not meet the criteria outlined in the grant agreement and that the red grade likely to be received by the council is the result of the timing at which the funds were claimed. Although claimed through the HCA's investment management system on the advice of the HCA's Grant Manager, there appears to be a difference of opinion on what type of work constitutes the actual start time of the development.

The Council will receive confirmation of the audit in May 2018 and it is proposed that it is signed off by this Committee. Although the assumed red rating will result in a guaranteed audit of the Primrose Gardens development in September 2018, there is no indication that the red rating will result in funds being returned to the HCA.

Lessons learnt from the audit were provided within the report that would be improved upon for the audit of Primrose Gardens later in the year and Members were confident that the officers had done everything that they could to meet the audit's requirements.

RESOLVED – That the report be noted.

18.G.4 Implications of revised CIPFA Prudential Code and Treasury Management Code

The Chief Finance Officer submitted a report that updated members on CIPFA's changes to the Treasury Management Code and the proposals from DCLG to change the Prudential Framework of Capital Finance

The increasing trend by councils to invest in assets for the purpose of income generation has resulted in potential risks to a Council's revenue budget that may not currently be picked up in the current Treasury Management Code and reporting requirements. The new Treasury Management Code seeks to address this deficiency and introduces a new Capital Strategy report to be approved by full Council in 2019/20. This report will replace the treasury management and investment strategy report and will include:

- A policy statement with the Council's high level policies for borrowing and investments and include policies where the Council has commercial investments held for financial return;
- A new treasury management practice that will require the Council to set out the investment management practices for non-treasury investments;

- A schedule that will include a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the authority's risk exposure.

The Governance Committee will approve the detail and ongoing monitoring of the Capital Strategy.

Proposed changes to the Local Authorities Investment Code would mean the provision of additional disclosures in the Capital Strategy report which the authority agrees to as long as they do not compromise commercial sensitivity or jeopardise accruing higher returns from the Council's investments. It was noted that the consultation alluded to a restriction on council's investing in assets purely for generating returns which would seemingly inhibit investment in assets outside the Councils' boundaries.

Minimum Revenue Provision guidance changes would align the calculation more closely with the capital financing requirement, a change that Chorley Council fully supports. However, reducing the maximum useful economic life for assets (other than freehold land) to 40 years would affect this authority as it is currently financing some of its capital assets over a 50 year period in consultation with professional valuers and external auditors.

RESOLVED - That the report be noted.

18.G.5 Update on the Closure of Accounts 2017/18

The Committee received a report of the Chief Finance Officer that updated on progress of the preparation for the closure of accounts 2017/18 as requested by the Committee in September 2017.

The Accounts and Audit Regulations 2015 set out new deadlines for the publication of the 2017/18 statement of accounts. The draft accounts must be completed and signed by 31 May 2018 with the final audited accounts uploaded by 31 July.

The 2016/17 closedown process made a lot of progress in closing the accounts by 31 May; however the draft accounts were only submitted on 15 June 2017. Building on lessons learnt, preparation of the 2017/18 closure was already underway with some tasks like the reconciling of the debtor system to the financial ledger already underway. A project plan and closure timetable had been created with tasks allocated across the whole of the finance team.

The External Auditors also commented that they are undertaking regular meetings with the Finance Team. Interim work has been started earlier so that it is finished before closedown and tailored requirements will be conveyed in plenty of time with deadline dates for individual pieces of work to be communicated earlier so that everything is in place to start the audit in June. Both the External Auditor and Chorley's Finance team were confident that they would meet the closedown deadlines for 2017/18.

RESOLVED – That the report be noted.

18.G.6 Internal Audit Interim Report as at 29 December 2017

The Head of Shared Assurance Services presented a report that advised members of the work undertaken on the Internal Audit Plans for Chorley Council and Shared Services for the period August to December 2017. The report also made comment on any outcomes and gave an appraisal of the Internal Audit service's performance to date.

All Audit Plans were on target to be achieved, with the majority of performance indicators having either achieved or exceeded.

A snapshot of the overall progress made in relation to the 2017/18 Internal Audit Plans was appended to the report along with an indication on which audits had been completed and their assurance rating, those that were in progress and those yet to start. Details of the planned time and actual time taken were also provided.

The main pieces of work undertaken were highlighted, together with any control issues identified, where applicable. The Committee was pleased to note that all ratings were adequate or above.

The implementation of GRACE had been continuing and over 92 Chorley Council, Shared Services officers and external consultants had now received training with 350 risks at both corporate and system level reports being routinely produced.

Members asked if the comments column on the performance table could be amended to better reflect the actual status at that point in time.

RESOLVED – That the report be noted.

18.G.7 Chorley Annual Audit Letter 2016/17

The External Auditor presented their Annual Audit Letter that summarising the key findings arising from their work carried out at the Council for the year ended 31 March 2017.

The letter provided the Committee with results of their work to the Council and its external stakeholder's and highlighted any issues that the authority. The External Auditors had reported their detailed findings to Committee in September 17 and had given an unqualified opinion on the Council's financial statements.

RESOLVED – That the report be noted.

18.G.8 Chorley Certification Letter 2016/17

The External Auditors were required to certify the Housing Benefit subsidy claim for 2016/17 relating to expenditure of £5.3 million submitted by Chorley Council. Details of the claim certified was appended to the report and confirmed that only minor issues had been highlighted for attention.

Both the External Auditor and the Chief Finance Officer commended the excellent work of the Council's Benefit's team.

RESOLVED – That the report be noted.

18.G.9 Chorley Governance Committee Update Report

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.

Several points were highlighted within the report, that included, the provision of a range of support workshops and network events available for both officers and members to attend and articles relating to 'Meeting the deadlines'; 'Commercial Healthcheck: Commercial investments and governance' and 'Setting up a successful social enterprise'.

Bearing in mind, the fact that local authorities are changing their approach to commercialisation; it was considered appropriate to bring a report to a future meeting of the Committee that would summarise some of the issues raised in this report.

RESOLVED – That the report be noted.

18.G.10 Annual Governance Statement - Progress on Management Actions

The Monitoring Officer presented a report advising members of the progress made against the recommendations in the Annual Governance Statement.

The Annual Governance Statement had identified that overall the Council complied with its governance framework but advised of four thematic areas for improvement along with five management actions, the details of which were contained within the report.

All but one of the management actions had been completed. A review and update of all Health and Safety risks assessments under the Risk Management theme would continue into 2018/19.

As a starting point as an area highlighted to have the potential of most risk, work was undertaken with the team leaders in Streetscene to assess current risk assessments. This review highlighted a number of inconsistencies. Group learning was undertaken to identify areas of best practice and teams were encouraged to develop new risk assessments against a more standardised template.

Training was highlighted as a key factor and there was an apparent need for change in the culture whereby a risk assessment was not just seen as a document that was reviewed every 6 or 12 months. The Health and Safety Advisor has embarked on a new Health and Safety approach where risks are to be assessed every time an activity is undertaken with any learning being recorded on the Risk Assessment. Communication has been encouraged for all staff to speak up if they identify a risk or witness poor practice.

The approach of staff to Health and Safety is now more productive and by ensuring the teams take ownership of the risk assessments personally not only have the documents improved but staff approaches to risk have improved too.

A programme has been set up which will be implemented over the course of the next two years which will realise the same benefits of embedding this approach across all areas of the Council.

Members discussed the importance of health and safety for all staff and asked if information on accidents (including near misses) could be provided for all Members.

RESOLVED – That the report be noted.

18.G.11 RIPA Application Update

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

Chair

Date