

SOUTH RIBBLE BOROUGH COUNCIL

Governance Committee

Meeting held at 6.00 p.m. on Wednesday, 30th January, 2013 in Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH

Present:-

Councillors Foster (In the chair), W Bennett, Mrs Mort and Patten.

In Attendance:-

Garry Barclay (Head of Shared Assurance Services), Carol Eddleston (Democratic Services Officer), Susan Guinness (Head of Shared Financial Services), Dawn Highton (Principal Auditor) and Maureen Wood (Director of Corporate Governance).

Councillor S Robinson (Cabinet Member for Finance and Resources).

Public Attendance:-

1

Officers:-

2

Other Members:-

Councillors Hamman, Mrs M Smith and P Smith.

Minute No.	Description/Resolution
31	<p>Apologies for Absence</p> <p>Apologies for absence were submitted on behalf of Councillors Michael Green and O'Hare.</p>
32	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>
33	<p>Minutes of the Last Meeting</p> <p>From the audience the Legal Services Manager took the opportunity to provide an update on actions taken with regard to transparency since the last meeting. He confirmed that officers, in consultation with Councillor O'Hare, had responded to the Government consultation on proposals to make the Code of Practice mandatory. To summarise it was not considered that there was any necessity for the Code to be obligatory as it was felt that such a move would rule out any local discretion. It was also commented that the committee had considered that reducing the level of expenditure that the council reported on from £500 to £250 was excessive.</p> <p>The Legal Services Manager confirmed that the wording on the Action Plan relating to the voluntary sector would be amended to reflect the committee's wishes.</p>

	<p>He reminded the committee that a member of the public had made comments about paragraphs 4.1 and 4.2 of the Transparency Action Plan and queried whether we had fully complied with them. This related primarily to senior employee salaries and related issues. As requested he had spoken to the Council's Head of Human Resources in this regard. The Head of HR had reviewed the transparency aspects of the Pay Policy before it was considered and approved at full Council earlier in January. All relevant senior employee information had been brought together into one place on the website and it should now be more user friendly for anyone wishing to access this information. Having reviewed the matter and spoken to the Head of HR, it had been accepted that not everything referred to in 4.1 and 4.2 had indeed been published but in fact such requirements were in the main discretionary, not obligatory. The decision that had been made was that to publish all of this information (such as organisational chart and details of currently vacant posts) would have an undue impact on staff time as it would be forever in need of amending and updating. Hence it was proposed to amend the Action Plan in relation to 4.1 and 4.2 to say that partial compliance (rather than full compliance) had been achieved and to explain the reasoning behind this.</p> <p>Members agreed that this was a sensible approach.</p> <p>RESOLVED: That the minutes of the meeting held on 28 November 2012 be approved as a correct record and signed by the chairman.</p>
34	<p>Budget Monitoring Statement - Quarter 3</p> <p>The Cabinet Member for Finance and Resources, Councillor S Robinson, introduced the report and said that although the council was being cautious about potential income streams he was very pleased with the overall position, with a projected transfer to General Reserve of £242K due to various efficiencies and savings achieved in 2012/13. Knowing that its government grant was going to be severely restricted, the Council was already looking at potential savings in 2013/14.</p> <p>Councillor S Robinson and the Head of Shared Financial Services responded to questions from members and noted that a little additional explanation of why savings had been achieved would be useful as it was not always easy to remember details from previous quarters' reports. The forecast net underspending of £679K was considered to be an accurate forecast as there was nothing exceptional on the horizon in quarter 4. In relation to Appendix 1, expenditure on homelessness temporary accommodation had not seen any significant change and employee costs reduction represented vacant posts rather than redundancies. Car parking income in November 2012/13 was down from November 2011/12 and if this turned out to be the start of a trend, it would be used in future forecasting. From the audience Councillor P Smith reminded the committee that free parking had been introduced in Leyland town centre in the run up to Christmas so this would have impacted on December car parking revenue.</p> <p>Noting member comments that the review of catering appeared to have been ongoing for some time and therefore must be unsettling for staff, Councillor S Robinson acknowledged this but explained that service areas which were not fully front facing were reviewed more regularly than fully front facing services.</p> <p>Councillor W Bennett commented that the report showed an excellent performance at this stage in the year and the chairman commended the presentation, readability and level of detail of the report.</p>

In response to questions about the business transformation work programme referred to at several points in Appendix 2, Councillor S Robinson explained that the Director of Business Transformation, Ian Parker, was leading on this and much of the programme was focused on identifying smarter working. The chairman welcomed Councillor S Robinson's suggestion that the committee might wish to invite Mr Parker to attend a future meeting to brief members on the work programme.

In response to questions from the chairman about the glazing at Bamber Bridge and Penwortham Leisure Centres, Councillor P Smith, from the audience, said that this was due to be included in next year's budget process. An external review of leisure services was currently underway and as such it had not been considered appropriate to spend money on glazing if the review turned out to highlight a need to spend on something more urgent and significant.

Councillor S Robinson confirmed that the Civic Centre windows replacement was now almost complete with just a few minor snagging issues outstanding and the project had come in more or less against budget.

From the audience the Leader explained that Riverside was doing its best to process Disabled Facilities Grants as soon as possible following the hiatus since the termination of the partnership with Anchor Staying Put. Any unspent monies would be rolled forward to 2013/14 but the council would not learn whether it would be receiving any government grant for 2013/14 before February.

In response to a comment that it was to be applauded that the capital programme was fully funded and that the council was investing in its assets, Councillor S Robinson reminded the meeting of the Scrutiny Committee's review of the capital programme and he commended all the officers involved in the capital programme.

The member of the public observed that the council's underspend had increased by almost £100K in the last quarter and referred the committee to comments that he had made at the last meeting about weak and unchallenging budgeting. He felt that the Council's decision to increase council tax in 2012/13 had disadvantaged the borough's residents, especially considering the fact that the government would have reimbursed the difference to the council if it had decided not to increase council tax at that time. He considered that the Governance Committee was the senior non-political committee and keeper of the council's integrity. He concluded by saying that he would like the council to ask the external auditors to carry out a full independent review of the 2012/13 budget setting process.

The chairman said that the role of this committee was to monitor the implementation of the 2012/13 budget and he believed that the management of the budget had been good. The report made it clear that there had been some one-off, exceptional events that could not have been foreseen and he was not minded to put the question to the external auditors as he believed that the budget process had been democratically sound.

Councillor S Robinson pointed out that the government grant would only have been offered for one year and if the council had accepted the grant, it would now have been facing a shortfall of £200K per annum in perpetuity. All government council tax grants would cease in 2013/14 and he made no apologies for the very small increase in council tax in 2012/13 because it was of benefit to the borough as a whole. He referred

	<p>to external audit reports which regarded this council as exceptional and which commended this council's efforts to tackle cuts and reductions in grants without affecting services for residents. He was sorry that the member of the public felt the way he did but repeated Councillor Foster's comments that the majority of savings were one-off items and he stressed that the budget was under constant review by the senior management team.</p> <p>The chairman said it was important to differentiate between the Council's political process in setting the budget and this committee's responsibility for monitoring that the council's decisions were implemented and managed effectively.</p> <p>In response to a comment from the member of the public that the external auditors had not yet reported on 2012/13 and that it was open to the committee and the public to point out to them that the large underspend on the budget seemed 'very strange', the chairman said that he could indeed contact the external auditors directly if he saw fit to do so.</p> <p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> 1) The report and appendices be noted; and 2) the Director of Business Transformation be invited to attend a future meeting to brief the committee on the business transformation work programme.
35	<p>Treasury Management Strategy</p> <p>The Cabinet Member for Finance and Resources presented the report and explained that much of it was determined by statute. The chairman pointed out that some of the report was quite difficult to understand given its technical nature and said it was important for the committee to be able to understand whether the council was fulfilling its statutory duties.</p> <p>The Head of Shared Financial Services gave an explanation of each of the prudential indicators (PI) to aid members' understanding.</p> <p>The Head of Shared Financial Services confirmed that the report reflected projections based on council tax payments over 12 months rather than 10 months. In response to whether the council should set a higher benchmark than the 7-day LIBID, the chairman acknowledged that it was difficult to set achievable targets in the current economic climate. The Head of Shared Financial Services reported that on average the council achieved a 1.5% return.</p> <p>The chairman queried whether it would be wiser to maintain the status quo rather than to follow the recommendation from the council's treasury management advisors, Sector, to remove the three months restriction on all investments with financial institutions other than those which were part nationalised. The Head of Shared Financial Services pointed out that this would not have a significant impact on this council as the stand alone ratings of the independent UK institutions that the council had dealings with did not warrant investment for longer than three months.</p> <p>Councillor S Robinson said that the council's counterparties were becoming ever more restricted in the current economic climate and that he would like the committee to recommend that the council's limit per institution (partly nationalised) should be increased from £3M to £4M. The implications of the business rates retention scheme were not yet known and it could be that, at times, the council was carrying more cash than it could invest effectively. Members acknowledged that whilst the UK partly</p>

	<p>nationalised banks were 'rock solid' there were no guarantees anywhere. They discussed whether, with the limited number of counterparties available, the limit per institution should be increased even further to £5M to maximise capacity and flexibility. From the audience the Chief Executive pointed out that he could not envisage the council investing £5M for a twelve month period so suggested that consideration could reasonably be given to investing £2M in a call account and £3M on a fixed term.</p> <p>RESOLVED (unanimously):</p> <p>That Cabinet be requested to recommend that Council approve:</p> <ol style="list-style-type: none"> 1) the Prudential Indicators for 2013/14 to 2015/16, as set out in this report; 2) the Treasury Management Strategy for 2013/14, incorporating the Treasury prudential Indicators; 3) the Annual MRP Policy Statement 2013/14; 4) the continuation of the contract with Sector Treasury Services for a further year; 5) the Annual Investments Strategy 2013/14, including the proposed end to the three month limit on investments which was applied since September 2011, and 6) that Cabinet be requested to consider increasing the limit for each of the part-nationalised banks from £3.0m to £5.0m, of which no more than £3.0m per bank may be on fixed term deposit at any one time.
36	<p>Internal Audit Progress Report as at end of November 2012</p> <p>The Head of Shared Assurance Services presented the report which advised on progress on the South Ribble and Shared Services Internal Audit Plans, gave an appraisal of the Internal Audit Service's performance to date and informed of any general developments involving or impacting on the work or performance of the service.</p> <p>The chairman drew members' attention to the request from the Constitution Task Group for an internal audit of the tendering process for the banking contract. He pointed out that the concerns raised at the full committee had been specifically about the quality/price weightings. He stressed that there was no challenge to anyone's integrity. The committee had been quite robust in its questioning but the tenders had been appraised as per the original report, with no report back to committee to explain why the weightings had remained as originally proposed. Since then it had been approved by Cabinet and Council but a small number of members still felt that there was an outstanding issue that needed clarity and, more generally, members felt that they would like more feedback in future to points that the committee raised.</p> <p>Councillor W Bennett commented that the committee had wholeheartedly disagreed with the report but it had gone through without change and he suggested that members would appreciate a better understanding of the process used. Members discussed whether a detailed audit would be an appropriate use of resources in this instance.</p> <p>Councillor S Robinson acknowledged that he himself had been one of the main questioners of the weighting and he recalled the debate at committee, following which he had been requested to discuss with the Head of Shared Financial Services what the weighting should be. He had agreed with the Head of Shared Financial Services that, as the council was not in a borrowing situation, pricing was the more important factor. He had spoken to Councillor O'Hare and let him know that he was happy with the 60:40 weighting.</p>

The chairman said that, having had an opportunity to discuss this with the Head of Shared Financial Services, he completely agreed that the right decision had been taken but he said that an explanatory note or email should have been sent to members.

Members discussed whether, in light of the reassurance given by the Cabinet Member, an internal audit was in fact warranted. Whilst Councillor W Bennett was minded to request an internal audit, the majority view was that it would not be an appropriate use of resources. The Head of Shared Financial Services said that she would be happy to arrange a separate briefing with members (once the budget had been finalised).

In relation to the limited assurance ratings given to audits of overtime payments and the flexi time system, the Head of Shared Assurance Services explained that these reviews had been carried out at the request of the Senior Management Team. The reviews had looked at all service areas over a 12 month period and had identified a number of inconsistencies in the way that council policies were applied across the authority. Since the reviews all the management actions had been agreed for implementation within a short timescale and better management information monitoring systems had already been put in place.

Members agreed with the chairman that it was encouraging to see issues being tackled and resolved and they hoped that any future review would receive a substantial rating.

The Head of Shared Assurance Services reminded members that previous meetings had discussed whether the Internal Audit Performance Indicators were measuring the right things and whether the targets were appropriate. Consequently our Internal Audit team had conducted a survey of internal audit services across the county which had shown that there was quite a wide range of measures and targets being applied, with four out of six of this council's performance indicators being widely used elsewhere. The two which were not widely used were those relating to % agreed management actions implemented and % agreed management actions implemented on time, neither of which was indicative of the performance of the internal audit service itself. Monitoring of these indicators was a cost to the internal audit service and he would welcome members' views on whether they felt that such monitoring added value. The process in this council meant that problems in securing the implementation of agreed management actions would be reported to this committee. So far there had been no such cases reported to the committee and timelines were always discussed with service managers when management actions were agreed.

Members debated the issue and concluded that officers would benefit from further discussions about the value of these indicators before reporting back at the next meeting.

In response to a question from Councillor P Smith in the audience, the Head of Shared Assurance Services explained that the two days worked on the Community Infrastructure Levy (CIL) so far had been spent advising the Development Control team on the process. Audit days would be built into the 2013/14 Internal Audit Plan for after implementation of the CIL.

RESOLVED unanimously that:

- 1) the report be noted;
- 2) further work be carried out to allow final recommendations resulting from the review of the Internal Audit Key Performance Indicators to be brought for consideration at the next meeting, and

	<p>3) that the committee not endorse the request from the Constitution Task Group for an Internal Audit Review of the tendering process for the banking contract but that the Head of Shared Financial Services be requested to brief members on the tender selection process used.</p>
37	<p>Corporate Governance Progress Report</p> <p>The Director of Corporate Governance presented a report on the considerable amount of work that had been achieved, in challenging times, to strengthen the council's governance arrangements. This work stretched across the council and she thanked everybody concerned for their contribution. She would bring a further report to the committee's June meeting.</p> <p>The chairman said that the report was well written and easy to understand. This council's governance arrangements deserved credit and the authority seemed to deal very well with the various changes required by recent new legislation.</p> <p>The Director of Corporate Governance welcomed the positive comments and took the opportunity to thank her managers for managing so very well in her absence towards the end of 2012.</p> <p>RESOLVED (unanimously) that: The report be noted and the considerable progress achieved to date be commended.</p>
38	<p>Forward Plan</p> <p>The Forward Plan was noted without debate.</p> <p>[Members are reminded that the start time of the Constitution Task Group meeting on 4 March has been brought forward to 5.00pm so the official start time of the Governance Committee meeting will be brought forward to 5.30pm on the website and published agenda].</p>

The meeting finished at 7.58pm.

..... Chairman

DRAFT MINUTES