

## SOUTH RIBBLE BOROUGH COUNCIL

### Governance Committee

Meeting held at 6.00pm on Wednesday, 26th June, 2013 in Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH

#### Present:-

Councillors W Bennett (in the chair), Foster, Nelson, Ogilvie and Patten.

#### In Attendance:-

Andy Armstrong (Risk Manager), Garry Barclay (Head of Shared Assurance Services), Carol Eddleston (Democratic Services Officer), Susan Guinness (Head of Shared Financial Services), Dawn Highton (Principal Auditor), Lee Hurst (Principal Systems and Financial Accountant), David Whelan (Legal Services Manager) and Maureen Wood (Director of Corporate Governance).

Councillor Robinson (Cabinet Member for Finance and Resources).

#### Public Attendance:-

1

#### Officers:-

3

#### Other Members:-

Councillor P Smith.

Minute No.	Description/Resolution
1	<p><b>Introductory Remarks</b></p> <p>The chairman welcomed members to the first meeting of the municipal year and sought and received support from members for a letter of appreciation to be sent to former chairman Councillor O'Hare.</p>
2	<p><b>Apologies for Absence</b></p> <p>An apology for absence was declared on behalf of Councillor Clark.</p>
3	<p><b>Declarations of Interest</b></p> <p>There were no declarations of interest.</p>
4	<p><b>Minutes of the Last Meeting</b></p> <p>RESOLVED (unanimously): That the minutes of the meeting held on 29 April 2013 be approved as a correct record and signed by the chairman.</p>
5	<p><b>SRBC Statement of Accounts 2012/13 (a) Budget Outturn Report 2012/13</b></p> <p>Councillor Robinson, Cabinet Member for Finance and Resources, presented the budget</p>

out-turn report 2012/13, explaining that some significant one-off items occurring in the financial year, together with some efficiencies achieved, had impacted positively on the council's out-turn position and meant that a surplus of £0.721 million could be transferred to general reserves. He and the Head of Shared Financial Services responded to questions and observations from the committee.

A £125K variation against Planning Income budget was due to developers submitting a number of large planning applications in the lead up to the implementation of the Community Infrastructure Levy.

The refund of £72,000 VAT plus £83,000 interest and fees relating to a claim from the financial years 1990 to 1994 was of course welcomed but things of this nature could not be foreseen nor budgeted for.

Savings of £129,000 in employee costs were due in part to robust challenge of whether any vacancies which occurred needed to be filled and also to some training being delayed which had resulted in saving in the training budget for 2012/13.

2012/13 underspends would be analysed to identify whether they were one-off savings or trends which could be reflected in future budgets.

Capital expenditure and financing of £534,000 for Leisure Centre assets showed the Council's commitment to its assets and ensuring that they remained in a good state of repair.

£244,000 had been committed to Housing Grants but not spent in 2012/13 due to uncertainty over when the Council would receive the external funding.

The Council's only external borrowing was for vehicle leasing.

Further repayments of the Council's deposits in Landsbanki would be delayed until a court hearing in Iceland had dealt with a challenge to the basis used by the Winding Up Board in converting Landsbanki's assets and liabilities to the common base of the Icelandic Krona.

The Head of Shared Financial Services agreed to provide further information on the cost of work undertaken by K J Property Consultancy to revalue council land and assets.

In response to an observation from the chairman about how a substantial transfer to general reserves might be perceived in the current economic climate, the Cabinet Member for Finance and Resources said that local government had been subject to more significant changes under the current central government than at any other time and the Spending Review announced earlier in the day indicated that local government would be affected more severely than any other government department. Whilst there were a number of areas where the council would like to commit itself to, particularly in terms of pump priming projects, it needed to look at its funding position over the next few years. In its current position the council was well placed to continue funding its frontline services for at least the next twelve months.

The member of the public expressed concern that he believed the council was not able to set meaningful, challenging budgets and he was disappointed that members had not picked up on the fact that the significant underspend against the original budget had not been mentioned explicitly to the committee. He believed that members should have been concerned that a projected transfer from general reserves early in 2012 had now been replaced by a significantly larger transfer to general reserves. He had made his concerns known to the council's external auditors.

	<p>The vice-chairman said that the budget had in no way been a 'soft' one and the council had not dramatically underspent. As outlined in the report a number of one-offs had significantly benefited the council. He said that the officers concerned in delivering the budget should in fact be congratulated for their efforts.</p> <p>The Head of Shared Financial Services explained that 77% of the variation from the budget was due to one-offs.</p> <p>The chairman confirmed that he was satisfied with the level of detail in the report.</p> <p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> <li>1) the contents of the report and appendices be noted;</li> <li>2) the budget variances for 2012/13 listed at Appendix A be noted;</li> <li>3) the budget items listed at Appendix D be carried forward to 2013/14;</li> <li>4) the financing of the capital programme for 2012/13 and the carry forward of capital re-phasing to 2013/14 as outlined in the report be approved, and</li> <li>5) the retention of reserves at Appendix C together with the proposed contributions to and withdrawals from these reserves as detailed within the Core Financial Statements and within this report be endorsed.</li> </ol> <p><b>(b) Draft Core Financial Statements for year ending 31 March 2013</b></p> <p>The Head of Shared Financial Services presented the report which highlighted the salient points in the draft core statements. The full Statement of Accounts would be presented to the committee at a briefing session to be arranged in July/August prior to the external auditors commencing their detailed audit.</p> <p>The decline in unusable reserves was partly due to actuarial assumptions on net pension liabilities. These were beyond the council's control and could vary significantly from year to year. The Cabinet Member for Finance and Resources commented that there would come a time when the council's employer contribution became unsustainable.</p> <p>RESOLVED (unanimously) that: The report be noted.</p>
6	<p><b>(a) Revised Local Code of Governance</b></p> <p>The Director of Corporate Governance presented the revised code which was a public document outlining the council's commitment to the principles of good corporate governance. This most recent revision included changes to the role of Scrutiny, partnership arrangements and the role of the Head of Internal Audit.</p> <p>Members felt that the document was easy to read and essentially encapsulated the ethos of the authority. They particularly welcomed the revision of partnership arrangements in view of the increasing amount of partnership work in which the Council was involved.</p> <p>RESOLVED (unanimously): That the revised code be welcomed and recommended to full Council for adoption.</p> <p><b>(b) Draft Annual Governance Statement</b></p> <p>The Director of Corporate Governance presented the draft Annual Governance Statement outlining the council's governance arrangements, the review of the council's governance framework against the revised Local Code and future plans to improve and strengthen the governance environment.</p>

	<p>There was no specific detail about the council's last Investor in People award as this had been reported in the 2011/12 Annual Governance Statement. It was noted that the customer service survey information on page 9 reported satisfaction levels of 'good' and above, whereas the Performance Monitoring Report considered at the Scrutiny Committee meeting on 25 June reported on 'satisfactory' and above. Members considered that it would be preferable to use rating categories and figures consistently in future.</p> <p>Feedback was obtained from employees on organisational issues in the biennial employee survey and the results were reported to the Scrutiny Committee and, to a lesser extent, to this committee.</p> <p>Work was ongoing to better utilise technology to rationalise customer information (page 15) as this was currently measured in different ways across the council. Changes to the authority's structure and the way in which information was currently reported made it difficult to make year on year comparisons. The 2013/14 Corporate Governance improvement plan would include actions to modernise and strengthen the corporate complaints process and address the issue of vexatious or unreasonable complainants.</p> <p>RESOLVED (unanimously): That the Draft Annual Governance Statement be noted.</p>
7	<p><b>Treasury Management Outturn Report 2012/13</b></p> <p>The Head of Shared Financial Services presented the report, confirming that the council's Prudential and Treasury Indicators had been complied with and that the return on investments totalled 1.17% which exceeded the benchmark of 0.39%. The report also proposed slight amendments to the Treasury Strategy to make specific reference to the Council's new banker, Barclays, its former banker, HSBC, and the limits that applied to them.</p> <p>It was still too early to identify the impact of the changes agreed at the January meeting to the permitted term and limit of investments but more detail would be reported to the committee in the mid-term treasury report.</p> <p>The HSBC account had generated no interest as it was an old account offering 0% interest.</p> <p>The Debt Management Office was an Executive Agency of her Majesty's Treasury.</p> <p>RESOLVED (unanimously) that: The report be noted and the amendments to the Treasury Strategy as per paragraph 11 be recommended to Council for approval.</p>
8	<p><b>Internal Audit Annual Report 2012/13</b></p> <p>The Head of Shared Assurance Services presented the report which summarised the work undertaken by the Internal Audit Service from April 2012 to March 2013, gave an Audit opinion on the adequacy and effectiveness of the control environment and an appraisal of the Internal Audit Service's performance.</p> <p>All internal audit work planned for 2012/13 had been completed with the exception of two areas which had ultimately not been considered appropriate for review in that calendar year – Catering and My Neighbourhoods. This had contributed to a positive balance of audit days at year end. The service had been adequately resourced in terms of staff and finance and had any additional work been required, it could have been bought in from the county council's audit service.</p>

	<p>It was the Head of Shared Assurance Services' responsibility to give an annual judgement on the overall control environment within the Council and, with all the audits undertaken having resulted in a control rating of adequate or above, it was his opinion that the Council continued to operate within a strong control environment.</p> <p>The committee commended the ongoing commitment to the team's professional development.</p> <p>RESOLVED (unanimously) that: The Internal Audit Annual Report for 2012/13 be noted.</p>
9	<p><b>Internal Audit - Compliance with International Auditing Standards</b></p> <p>The Principal Auditor presented the report which aimed to enable 'those charged with governance' (Councillor W Bennett on behalf of the Governance Committee) and the Section 151 Officer (Chief Financial Officer (Mike Nuttall)) to provide the assurances being sought by Grant Thornton as part of its audit of the Council's 2012/13 accounts.</p> <p>The chairman said that he had had sight of the draft responses prior to submission to the committee and had been satisfied with the responses.</p> <p>Members noted that, under question 5 on page 15, this authority strove to meet its financial and operating targets but was not subjected to any inappropriate pressure to meet them.</p> <p>RESOLVED (unanimously): That the chairman of the Governance Committee and the Chief Executive (Section 151 statutory chief finance officer) sign the assurance letters requested by Grant Thornton.</p>
10	<p><b>Year End Risk Monitoring Report 2012/13 Outturn and Revised Corporate Risk Register 2013/14</b></p> <p>The Risk Manager presented the report informing of the actions taken by management to address the key risks and opportunities in the Corporate Risk Register during 2012/13. All of the actions had been given a green rating indicating that sufficient progress had now been made to implement them to date.</p> <p>The report also presented a revised Corporate Risk Register for 2013/14 which took into account the risks which had now been mitigated plus any new or emerging risks and opportunities now impacting on the Council. A new strategic risk had been identified to 'manage the impact of the government's proposals for reform to welfare, health &amp; social care and housing' in response to issues presented by national policy developments. This had been allocated a 'red' risk rating given the high financial and reputational impact this could have on the Council if not properly managed. The red risk to 'continue to ensure the delivery of affordable housing' had been reduced to amber to reflect some of the easing from an upturn in planning applications and large developments which were explained in more detail in the 'Status' column on page 3 of Appendix 1.</p> <p>Members commended the clear and concise nature of the document and welcomed the council's commitment to identifying and dealing with the risks that it faced.</p> <p>RESOLVED (unanimously) that: 1) members be pleased to note the progress made to manage the Council's key strategic risks during 2012/13 shown at Appendix 1, and 2) members note the revised Corporate Risk Register 2013/14 shown at Appendix 2.</p>

11	<p><b>Review of the Constitution 2013/14</b></p> <p>Members discussed which areas of the Constitution they believed might benefit from a review in 2013/14 in addition to a review of council meeting minutes which full Council had already asked the committee to undertake.</p> <p>They agreed work should be undertaken to produce a new protocol on partnership arrangements to assist members involved in a number of different capacities with the Council's wide range of partners. They also agreed to review existing arrangements for public participation at Council and other meetings, specifically the order and timing of public participation and right of reply by members. The committee felt that the review of minutes should be the first priority for the 2013/14 review.</p> <p>It was possible that a forthcoming Scrutiny Committee review relating to certain areas of planning might ultimately necessitate some changes to the Constitution and these would be considered as and when appropriate.</p> <p>RESOLVED: That the review of the Constitution 2013/14 include the following areas: (i) Council meeting minutes, (ii) Protocol for Partnership arrangements, and (iii) Public Participation in Council and other meetings.</p>
12	<p><b>Local Audit and Accountability Bill</b></p> <p>The Legal Services Manager presented the report which advised members of the contents of the Local Audit and Accountability Bill which was designed to deliver the government's commitment to close the Audit Commission and transfer its remaining functions.</p> <p>Councils would be given the freedom to appoint their own auditors from an open and competitive market and to manage their own audit arrangements. Councils would have to appoint their own auditor at least once every five years and they would have to consult and take account of advice of an independent auditor panel.</p> <p>Little was known as yet about these specific arrangements, with details to be set out in future legislation.</p> <p>The Cabinet Member for Finance and Resources re-iterated his previously expressed concerns that external audit was the one area that the council had to pay for and had imposed on it without having any control or say over it. Members shared his view that any 'independent panel' constituted to assess auditors would need to comprise expert professionals.</p> <p>RESOLVED (unanimously) that: The report be noted.</p>

The meeting finished at 7.53pm.

..... Chairman