

SOUTH RIBBLE BOROUGH COUNCIL

Governance Committee

Meeting held at 6.00pm on Wednesday, 25th September, 2013 in Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH

Present:-

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

In Attendance:-

Garry Barclay (Head of Shared Assurance Services), Jane Blundell (Principal Management Accountant), Michele Brennan (Internal Auditor), Carol Eddleston (Democratic Services Officer) and Lee Hurst (Principal Systems and Financial Accountant)

The Cabinet Member for Finance and Resources, Councillor Robinson

Representatives from the Council's external auditors Grant Thornton - Fiona Blatcher and Gareth Winstanley

Public Attendance:-

1

Officers:-

1

Other Members:-

Councillors Hamman and P Smith

Minute No.	Description/Resolution
18	Apologies for Absence Apologies for absence were submitted on behalf of Councillors Clark and Foster.
19	Declarations of Interest There were no declarations of interest.
20	Minutes of the Last Meeting RESOLVED (unanimous) that: The minutes of the meeting held on 22 July 2013 be approved as a correct record and signed by the chairman.
21	SRBC Audited Statement of Accounts 2012/13 The Cabinet Member for Finance and Resources, Councillor Robinson, presented the report. He was pleased that the accounts had shown better than anticipated results which had allowed the authority to add to both the general and the earmarked reserves.

	<p>Councillor Ogilvie enquired why the additional checking on transactions between members and the Council had been overlooked again, in spite of the external auditors having picked this up in two previous audits, and asked what measures had been put in place to ensure this did not happen again. The Principal Systems and Financial Accountant explained that this was a large task which could only be completed at year end but as there was so much to do at year end it had unfortunately been missed. However, the task had now been added to the year end processes for the future.</p> <p>For the committee's information, Ms Blatcher explained that depreciation recognised the economic cost of using a product over its lifetime; impairment recognised the external (including economic) factors which might change the value of assets.</p> <p>In relation to the Council's investments in Icelandic banks, Councillor Robinson was pleased to report that the Council had now recovered 94% of its deposit in Heritable Bank.</p> <p>RESOLVED (unanimous) that:</p> <ol style="list-style-type: none"> 1) the Statement of Accounts for 2012/13 as contained in Appendix A be approved and authorised for issue by means of its signing by the Chief Executive and chairman of the committee, and 2) the Chief Executive and chairman of the committee be authorised to sign the Letter of Representation contained in Appendix B.
22	<p>External Audit - Audit Findings Report</p> <p>Gareth Winstanley from the Council's External Auditors, Grant Thornton, presented the report, explaining that it was essentially the same report format as in previous years but with a different title. It was a very positive report as the audit had gone very well and he thanked Financial Services staff for their co-operation throughout and the high quality of the working papers. He was pleased to confirm that the auditors had received satisfactory evidence in relation to the bullet points on page 5 of the report. A small number of presentational and disclosure changes had been made to the financial statements simply for clarification and consistency purposes. The Value for Money conclusion had found that the authority's arrangements were sound and good, acknowledging that there were some challenging times ahead that all authorities would need to address.</p> <p>Members joined the chairman in thanking the external auditors for their report and commended the fact that it was user friendly and easy to read. The chairman considered it to be one of the most important external reports about the authority that this Council received and he believed that the officers concerned deserved tremendous credit for their hard work.</p> <p>For the committee's information, Ms Blatcher explained that an 'unqualified' audit opinion confirmed that the external auditors thought that the statement of accounts was materially correct. Had they believed otherwise, they would have issued a 'qualified' audit opinion. In relation to page 10, she explained that the external auditors needed to understand the authority's processes so that it could complete a risk assessment and identify what work they needed to do. Mr Winstanley explained that a 'walkthrough test' was undertaken to check that the outcome of a particular transaction was as expected, and that the appropriate controls were in place and working satisfactorily.</p> <p>The chairman recalled that the committee had welcomed the significant reduction in fees and he enquired whether the council had still received the same level of service. From the audience, the Chief Executive confirmed that the council had no concerns in this regard and that the transition had worked well. He and the Monitoring Officer met regularly with the external auditors to discuss the council's arrangements, to ensure that these were effective and to identify problems and resolutions promptly.</p>

	<p>From the audience, Councillor P Smith enquired on what basis the external auditors might have charged extra fees, given that a fee had already been agreed, and asked for confirmation that the audit had not been compromised by the reduced fee. Councillor Robinson confirmed that he too had welcomed the reduction in fees but had been concerned about the discrepancy between the higher fees charged by the Audit Commission and the reduced fee from Grant Thornton and had wanted an assurance that the standard of the audit would not be compromised.</p> <p>Mr Winstanley explained that an extra fee might have been considered necessary if, for example, the quality of the working papers had been inadequate and additional audit work / time had had to be spent on ensuring a satisfactory standard of information / papers was available. Ms Blatcher did not believe that the audit had been compromised by the reduction in fees and in fact Grant Thornton had worked hard to demonstrate that it was adding value. She explained that this reduction had been made possible in part by the fact that external audit firms were no longer bearing some of the central costs of the Audit Commission and in part by the lower pension costs involved following the move to Grant Thornton.</p> <p>The chairman expressed the committee's thanks to the external auditors for presenting an excellent report, and to external audit staff and Council officers for their work on the 2012/13 audit.</p> <p>RESOLVED (unanimous) that:</p> <ol style="list-style-type: none"> 1) the committee thank the external auditors for the new format of the report and commend its readability, and 2) the committee note with pleasure the positive findings, particularly with regard to the Value for Money conclusion.
23	<p>External Audit - Financial Resilience Report</p> <p>Ms Blatcher presented the report. She said that even though the council's high level of usable reserves appeared relatively high when compared with other authorities, this was actually very helpful in the context of the budget gap. The council had a relatively strong level of liquidity and very low borrowing and needed to challenge itself going forward about the level of its reserves.</p> <p>She explained that the 'benchmarking group' listed on page 10 was based on a number of criteria which the Audit Commission had used to identify the council's nearest statistical neighbours. Members welcomed the introduction of the benchmarking information and would be interested to know more about the assessment criteria used to identify our nearest neighbours. Grant Thornton now audited approximately 40% of local authorities in the country and the benchmarking results would form part of a national document later in the year. From the audience, the Chief Executive explained that this type of benchmarking was an approach adopted by Grant Thornton only at this time and was an example of added value in the service provided.</p> <p>The chairman noted that reference to 'slippage' of the capital programme on page 12 was in fact simply a case of prudent management of the capital programme.</p> <p>Councillor Robinson explained that the increase in the working capital ratio between 31 March 2011 and 31 March 2012 was due in part to decisions made to ensure that the council had liquidity and also to the council's efforts to forecast the budget gap year on year and plan for how to bridge the gaps. Ms Blatcher pointed out that one of the main reasons for the high ratio was that the council had no external borrowing.</p> <p>Mr Winstanley explained that the bullet points on page 18 were generic to all Grant Thornton's local authority clients and intended to set the scene for the following pages.</p>

	<p>'Recovery plans' would only be required if, for example, the authority had identified through its budget monitoring a significant overspend and needed plans in place for how to deal with it.</p> <p>In response to an observation from the chairman that the level of understanding among members about the council's financial position varied significantly, Ms Blatcher acknowledged that this tended to be the case among local authority members but, in her experience, the members of this council with which the external auditors had dealings compared very favourably with those from other authorities.</p> <p>Noting the graphic on page 28, Councillor Patten suggested that it would be useful to have 'private sector' broken down into something more meaningful in future as this was such a massive and disparate group of companies.</p> <p>In response to a question from the member of the public, Ms Blatcher observed that some of the efficiency savings identified by the council were due in part to the use of technology but suggested it might be interesting to collect some data in this regard.</p> <p>Councillor Robinson expressed his thanks to all those concerned both in Shared Financial Services and at Grant Thornton for the tremendous amount of hard work which had gone into the 2012/13 audit. The reports had been first rate, deadlines had been met and explanations had been very clear.</p> <p>RESOLVED (unanimous) that:</p> <ol style="list-style-type: none"> 1) the committee thank the external auditors for the clear report and welcome the introduction of benchmarking, and 2) the committee express its sincere thanks to all those concerned in the 2012/13 audit.
24	<p>External Audit - Governance Committee Update Report</p> <p>Mr Winstanley presented the report which summarised a number of emerging national issues and development, and included a number of challenge questions in respect of these emerging issues which, he suggested, the committee may wish to consider at a later date. The report was being brought to this meeting to gauge whether it was something that members might wish to see in future.</p> <p>Members joined the chairman in welcoming this new report, suggesting that it would be a useful addition to the committee's work programme and that members would welcome receiving regular email updates on issues of interest.</p> <p>RESOLVED (unanimous) that: The external auditors be thanked for the useful new addition to their suite of reports and that this be added to the committee's future work programme.</p>
25	<p>Budget Monitoring Statement – Month 4 (July) 2013/14</p> <p>Councillor Robinson presented the report which provided an update on the Council's overall financial position compared to the financial strategy for the first four months of the current financial year. He reported that the trends were pleasing, with a number of efficiencies made and savings realised. Like all local authorities, this council was facing a stark challenge over the next three years, however, this council's saving grace was that it had built up a healthy level of reserves. He predicted that it would take a full 12 months before the impact of the Business Rates Retention Scheme would be known.</p> <p>Councillor Robinson and the Principal Management Accountant responded to questions and observations from members of the committee and the audience.</p>

	<p>The portion of the £75K underspend on employee costs relating to staff vacancies was explained by the fact that a number of vacancies had not been filled due to ongoing service reviews or because completed service reviews had identified that certain posts were no longer considered necessary as a result of different ways of working.</p> <p>There were no seasonal patterns to planning applications and the timing and volume were very hard to predict, hence it had been decided to take a cautious approach in the 2013/14 budget.</p> <p>There was a suggestion that with the signing of the City Deal, more resource may actually be required rather than less, so the efficiency savings proposals in relation to the planning service outlined in Appendix 2 may not be met.</p> <p>Consideration was constantly being given to how capital could be spent to reduce revenue spend and examples where this had already happened included vehicle repairs, property maintenance, and parks and open space infrastructure.</p> <p>RESOLVED (unanimous) that: The report be noted and the committee welcome the level of savings already identified by the end of July.</p>
26	<p>Internal Audit - 1st Interim Report as at 26th July 2013</p> <p>The Internal Auditor presented the report which advised on progress made on the South Ribble and Shared Financial Services Internal Audit Plans for the period April 2013 to July 2013, gave an appraisal of the Internal Audit Service's performance to date, and informed members of general developments involving or impacting on the work or performance of the Internal Audit Service.</p> <p>It was agreed that future reports would make it clear in Appendix 1 whether audits showing 'to commence in QX' had slipped or whether they had originally been scheduled to commence in the quarter shown and in Appendix 2 to explain that some of the Shared Financial Services audit plans would not be expected to have been completed at this stage because the work could only be undertaken in quarters 3 or 4.</p> <p>Internal Audit Staff were involved in the Wesley Street Mill and Community Infrastructure Levy project team, ensuring that the project was on track and advising on financial probity.</p> <p>The committee said that they continued to value the work of the Internal Audit Service and congratulated Linsey Roberts who had recently been successful in the Institute of Internal Auditor examinations.</p> <p>RESOLVED (unanimous): 1) That the report be noted, and 2) Linsey Roberts be congratulated on her recent success in the Institute of Internal Auditor examinations.</p>
27	<p>Review of Constitution</p> <p>The committee was asked to agree Constitution Task Group meetings for the 2013/14 review as follows:</p> <p>(i) Council meeting minutes – 6.00pm, Thursday 17 October; (ii) Public participation in Council and other meetings – 6.00pm, Thursday 21 November; (iii) Protocol for member involvement in partnership arrangements – 6.00pm Thursday 6 February 2014; (iv) Agreement of recommendations – 6.00pm, Thursday 20 March, to be followed</p>

	<p>immediately by a special meeting of the full Governance Committee to ratify the recommendations to Cabinet and Council.</p> <p>The chairman suggested that the first two themes were closely linked and he encouraged members to seek the views of other members.</p> <p>Councillor P Smith and the member of the public enquired whether it would be possible for people outside of the task group to participate / be involved. The committee noted that whilst the Constitution Task Group had been established in November 2009 with the same membership as the full Governance Committee, the 2012/13 constitution review had introduced new guidance in Part 3F on Working Groups and Panels relating to the Terms of Reference and any protocols required, including recommending that the parent committee have regard to, among other things, whether it considered it appropriate to have co-option, deputies/substitutes and public attendance.</p> <p>RESOLVED (unanimous) that: 1) the meeting dates for the 2013/14 review of the Constitution be as outlined above, and 2) authority to finalise the Terms of Reference and any protocols required for the 2013/14 review of the Constitution in accordance with Part 3F of the Constitution, be delegated to the Monitoring Officer in consultation with the Governance Committee chairman and vice-chairman.</p>
<p>28</p>	<p>Forward Plan</p> <p>The committee noted the Forward Plan without further debate.</p>

The meeting finished at 7.47pm.

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