SOUTH RIBBLE BOROUGH COUNCIL

Governance Committee

Meeting held at 6.00pm on Wednesday, 27th November, 2013 in Cross Room, Civic Centre, West Paddock, Leyland, PR25 1DH

Present:-

Councillors W Bennett, Clark, Foster, Nelson, Ogilvie and Patten

In Attendance:-

Susan Guinness (Head of Shared Financial Services), David Whelan (Legal Services Manager) and Carol Eddleston (Democratic Services Officer)

The Cabinet Member for Finance and Resources, Councillor Robinson

Fiona Blatcher, Engagement Lead with the Council's External Auditor Grant Thornton

Officers:-

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Other Members:-

Councillors Mrs M and P Smith.

Minute No.	Description/Resolution
29	**Apologies for Absence** All members of the committee were present.
30	**Declarations of Interest** There were no declarations of interest.
31	**Minutes of the Last Meeting** RESOLVED (unanimously) that: The minutes of the meeting held on 25 September 2013 be approved as a correct record and signed by the chairman.
32	**External Audit - Annual Audit Letter 2012/13** Fiona Blatcher presented the report which confirmed the key findings from the External Auditors' work for the year ended 31 March 2013 and responded to questions from members of the committee. The report confirmed that the External Auditors had issued an unqualified opinion on the accounts, an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, an unqualified opinion on the

	council's Whole of Government Accounts submission and had certified the Council's NNDR return without amendment. In summary, the report reflected a very strong performance and identified that this Council was in a better position than many local authorities. This authority had a history of strong financial management and the healthy balances (among the highest in authorities of our benchmarking group) afforded more time for considered decision making. RESOLVED (unanimously): That the report be noted and uploaded to the Council's website.
33	**External Audit - Governance Committee Update** Ms Blatcher presented the report which summarised a number of emerging national issues and developments and responded to questions from members. She confirmed that the committee was already well aware of a number of these issues and developments but may wish to ask relevant officers to present to a future meeting on how some of the challenge questions posed in the report might be addressed. Noting the recent consultation by HM Treasury and CIPFA/LASAAC on how to streamline and simplify local authority financial statements, Ms Blatcher suggested that in the past CIPFA, accountants and auditors alike had tended to accept, rather than challenge, the additional requirements imposed over recent years, hence the need now for a collaborative process involving all concerned. Councillor Robinson agreed wholeheartedly, adding that it was important for the financial statements to be presented in such a way as to be understandable to the lay person. The presentation of this Council's accounts was very good but, in terms of looking at lessons learned, the Finance team kept a log of issues as and when they cropped up and re-visited this regularly, continually striving to be more efficient and effective each year. The committee learned that this Council's contribution of charging to spending was currently 21.5%. The percentage figure among local authorities varied from 2% to 87% for a number of reasons but it was important for authorities to be aware of what their charging income was and to review their charging policies. The picture on Business Rate collection was still unclear and would possibly remain so as it would take a number of years to build up enough historical knowledge to allow local authorities to make robust estimates. Grant Thornton was trying to collect some information which it would disseminate to accountants in some planned workshops. The committee thanked Ms Blatcher for attending the meeting to present the reports and responding to members' questions. RESOLVED (unanimously) that: The report be noted.
34	**Treasury Management Activity - Mid-year Review 2013/14** Councillor Robinson presented the report on performance in the first half of the year and on compliance with prudential indicators and responded to questions from the committee. There were no proposals to change the current Treasury and Investment Strategies. The Council's deposit in NatWest had matured since the report was prepared and members

	would be provided with updated figures outside of the meeting. The change to the permissible investment limit agreed earlier in the year had helped to a certain extent because there were so few counterparties in which the Council could invest, but had had little impact on return on investments due to continuing low interest rates. The Council was still pursuing the balance of its Heritable deposit and was still expecting to recover in full the amount claimed from Landsbanki subject to any exchange rate loss. In relation to Note 1 on page 4, the Head of Shared Financial Services explained that the Council had more cash in March 2013 than in March 2012 due to a number of transactions at that particular time. Cash balances at any one time were impacted upon by, among other things, timing of spend on the capital programme and timing of payments e.g. Council Tax and Business rates coming in from residents and business and going out to e.g. the county council and central government. It was understood that most residents still paid Council Tax over a 10 month period but members would be informed outside of the meeting of what the take-up rate had been for paying over a 12 month period. Moves between different term and call accounts occurred when the Council's investments reached maturity or the permitted investment limits. RESOLVED (unanimously) that: 1) The report be noted, 2) members be provided with an up-to-date valuation on the Council's matured investment in NatWest, and 3) members be provided with an indication of the numbers of residents opting to pay Council Tax over a 12 month period.
35	**Budget Monitoring Statement - Month 6 (September) 2013/14** Councillor S Robinson presented the report which provided an update on the Council's overall financial position for the first six months of the financial year and responded to questions from members. Although there was still an element of uncertainty, the Council was performing well and had produced a number of efficiency savings in the first six months. Following the catering function review the budget efficiency savings were back on track to be achieved in full for 2014/15. Although there was a net underspend of £0.646m in the first half of the year, the challenge of identifying savings and maximising income remained, with the large funding gap only set to increase over the coming years. Central government was likely to issue details of the grant settlement in the run up to Christmas but, based on statements issued by the government so far, this Council was expecting a reduction in the region of 15%. Given that the budget deficit for 2015/16 was expected to increase even further from the current estimate of £2.891m, the only way to address this was by identifying recurring savings. Business Transformation projects would no doubt assist in reducing this figure over the next two to three years, but there would undoubtedly be some transfers from reserves in the future. The change to the status of landlords providing supported living services had produced an additional £79,000 to date and the Leader was thanked for her active lobbying for this change via the local Member of Parliament and the county council. The Building Control function was required to break even over a three year period but

	competition from the private sector had contributed to a decline in income. Although our fees were competitive developers sometimes preferred to work with the private sector rather than with local authorities. Housing Benefit recovery was currently generating a variation to the profiled budget but, as it was a spend area which was demand led, it was possible that this would change significantly during the financial year. As reported previously the underspend in overall employee related costs was due to staff vacancies, some of which were waiting to be filled and some of which would be looked at during service reviews. Noting that there was an increase of 26 properties on the NNDR list, members would be informed outside of the meeting whether this was a typical annual change. The committee noted that the Capital Programme was currently 28% spent with 50% of the year gone and was informed that a slippage report would be presented to the next meeting showing where funds were committed, what had slipped and, if appropriate, what had been cancelled. Whilst the explanatory notes were helpful in explaining the current status of schemes, members noted that there was no indication of any likely under- or overspend. They were informed that Capital Programme spend was not profiled in the monitoring reports because the spend pattern was not predictable year on year. Members felt that whilst there were often good reasons why projects were delayed or cancelled, more should be done to challenge progress and to try to predict cash flow, remembering that a Scrutiny Review of slippage of the capital programme undertaken in 2011 had recommended that project managers should improve the profiling of when budgets were to be spent. Noting that a few of the schemes had in fact been overspent, members were informed about the process for managing overspends. Procedures had been changed to require authority to increase spend on Capital Programme schemes to be sought and signed off in advance by the Chief Financial Officer in consultation with the Cabinet Member for Finance and Resources or, in the case of higher value increases [above £75,000], to be approved by Cabinet. On occasions where the additional spend had to be done immediately on a reactive basis, it was not always possible to get authorisation in advance and this would have to be reported retrospectively. RESOLVED (unanimously) that: 1) the report be noted, 2) the significant efficiency savings identified to date be welcomed and efforts to identify further recurring savings be encouraged, 3) members be informed of whether this year's increase on the NNDR list was typical, and 4) a mechanism for more detailed cashflow profiling of capital expenditure reporting be identified.
36	**Regulation of Investigatory Powers Act (RIPA) Review** The Legal Services Manager presented the report which summarised the outcome of a recent inspection of the Council's RIPA regime by the Office of Surveillance Commissioners and responded to questions from members. The 2000 Act provided the legislative framework within which any covert surveillance operations to be carried out by a Council must be conducted in order to ensure that investigatory powers were used in accordance with human rights.

	The Council had a policy in place setting out the procedures to be followed whenever any covert surveillance was carried out and the policy was kept up to date in terms of changes in legislation, such as the Protection of Freedoms Act 2012. In-house training on the RIPA act and policy was provided for relevant officers (Environmental Health and Street Scene) every couple of years. The findings of the recent inspection were extremely positive, with only a couple of minor suggestions for how our policy might be amended. In preparation for the inspection officers had had to submit certain information in advance. On the day itself the inspector was on site for a couple of hours and interviewed a small number of relevant officers. There was no fee for the visit or the subsequent report. 'Covert' surveillance was essentially surveillance which was not carried out in an open manner. In terms of witnessing an incidence of dog fouling, for example, if a Street Scene officer were waiting in hiding for an incident to take place, this may be classed as 'covert', but each case would have to be considered on its own merits. Requests for authorisation from the Magistrates Court were dealt with in private session and the Authorising Officer was requested to explain the reasons for the application. In the case of multi-agency covert surveillance operations, the authority which would be taking the lead in the operation would be the one to obtain the authorisation. Members expressed some surprise that the Council made such little use of its investigatory powers and congratulated the officers concerned on such a positive inspection. RESOLVED (unanimously) that: 1) The report be noted, 2) the positive findings of the inspection be welcomed.
37	**Forward Plan** The committee noted the Forward Plan without further debate.

The meeting finished at 7.16pm.

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