

**SOUTH RIBBLE BOROUGH COUNCIL****Governance Committee**

**Meeting held at 6.00pm on Wednesday, 24th June, 2015 in Wheel Room, Civic Centre, West Paddock, Leyland, PR25 1DH**

**Present:-**

Councillors Ogilvie (in the chair), Foster, Patten, Mrs Snape and Mrs K Walton

**In Attendance:-**

Andy Armstrong (Risk Manager), Garry Barclay (Head of Shared Assurance Services), Carol Eddleston (Democratic Services), Susan Guinness (Head of Shared Financial Services), Dawn Highton (Principal Auditor), Lee Hurst (Principal Systems and Financial Accountant), Ian Parker (Director of Governance and Business Transformation)

Councillor Bennett (Cabinet Member for Finance and Resources)

**Public Attendance:-**

1

**Officers:-**

3

**Other Members:-**

Councillors Mrs Moon and P Smith

<b>Minute No.</b>	<b>Description/Resolution</b>
1	<p><b>Apologies for Absence</b></p> <p>Apologies for absence were submitted on behalf of Councillor Clark.</p>
2	<p><b>Declarations of Interest</b></p> <p>There were no declarations of interest.</p>
3	<p><b>Minutes of the Last Meeting</b></p> <p>Referring to no. 41 <i>capital programme for parks and open spaces</i>, the chairman explained that a report had not been brought to this meeting due to the busy pre- and post-election period. He had discussed the matter with Councillor Foster (vice-chairman) and, in view of the heavy agenda for the September meeting, had agreed that a report would be brought to the November meeting. In the meantime, the Chair, Vice-Chair and Cabinet member would meet to clarify the committee's expectations regarding the content of this revised report.</p> <p>RESOLVED (unanimously): That the minutes of the meeting held on 15 April 2015 be approved as a correct record and signed by the chairman.</p>
4	<p><b>SRBC Statement of Accounts 2014/15</b></p> <p><b>a) Budget Outturn Report 2014/15</b></p> <p>The Cabinet Member for Finance and Resources presented the report which notified the committee of the out-turn position in relation to both Revenue and Capital expenditure. He and the Head of Shared Financial Services responded to questions and observations from members and the member of the public.</p>

There was no particular reason why only one budget variation was quantified in clause 2 on page 2 but all the variations were explained in more detail and quantified elsewhere in the report. The 'borrowing' shown in the Capital Expenditure & Financing table on page 6 was *internal* borrowing (for vehicle replacement) and was explained more fully in the Treasury Management Annual Report later on the agenda. Having said that, the Head of Shared Assurance Services would be happy to explain it in more detail in future budget outturn reports.

The overall underspend in employee costs included £75K on salaries (an accumulation of small amounts rather than any long term vacancies) and £4K each on overtime payments and training.

Although the chairman welcomed the out-turn position, the current forecast budget gap was 'challenging' and would have to be addressed in the ongoing budget process.

Commenting on the current level of reserves and drawing an analogy with the issue of dividends to private company shareholders, the member of the public enquired whether, in principle, the council could return some of the excess reserves to council tax payers. The Cabinet Member for Finance and Resources said that such a move would not benefit council tax payers in the longer term; he said that the council was continually looking at its level of reserves and may consider it necessary at some point to release some for income generation purposes. The chairman pointed out that the overall level of reserves had reduced in the last 12 months and advised that it would not be prudent to return monies to council tax payers.

In relation to recommendation 5, Councillor Foster expressed discomfort at the committee being asked to 'endorse the retention of reserves' and sought clarification of the meaning of 'endorse' in this context, indicating that he would abstain in the vote on this particular recommendation as the Labour group's view was that the current level of reserves was too high. The chairman agreed to seek clarification on the need for the use of the specific word "endorse" for reports in future years.

RESOLVED:

(unanimously) that:

- 1) The contents of the report and appendices be noted;
- 2) The budget variances for 2014/15 listed at Appendix A be noted;
- 3) The budget items listed at Appendix D be carried forward to 2014/15;
- 4) The financing of the capital programme for 2014/15 and the carry forward of capital re-phasing into 2015/16 as outlined in the report be approved, and

(YES – 3, ABSTAIN – 2)

- 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 the report be endorsed.

#### **b) Core Financial Statements for year ending 31 March 2015**

The Cabinet Member for Finance and Resources presented the draft statements which would form part of the Council's year end statutory Statement of Accounts for 2014/15 which had to be signed and authorised for issue by the Chief Finance Officer before the end of June.

As in previous years, members of the committee would be invited to attend a training session on the detailed accounts later in the summer. Members were encouraged to submit any questions / subject matters they would like to be covered in the session to the Head of Shared Financial Services in advance.

RESOLVED (unanimously):

That the report be noted.

5

#### **Draft Annual Governance Statement**

The Director of Governance and Business Transformation presented the report which provided

	<p>assurances on the standards of corporate governance spanning all the Council's priorities and covering all activities and responded to questions from the committee.</p> <p>The Director of Governance and Business Transformation outlined the process for the annual review of the Council's governance framework which was directed by a senior officer governance group. He drew the committee's attention to the actions taken during 2014/15 to build and strengthen the Council's corporate governance arrangements and the ongoing and newly identified actions to be implemented in 2015/16. The new actions had been identified following analysis of the year's Internal Audit findings and the Management Assurance Statements completed by all senior managers, and in response to changes in legislation and/or best practice.</p> <p>The Head of Shared Assurance Services confirmed that awareness raising among staff of the council's anti-fraud and corruption policies and guidance had not been completed, but had been carried forward into the 2015/16 Corporate Governance Action Plan under the broader scope of 'Ethical behaviour – raise awareness of standards expected' so that the whole suite of relevant documents could be dealt with together.</p> <p>The Annual Governance Statement was signed each year on behalf of members and senior officers by the Leader of the Council and the Chief Executive, in line with CIPFA guidance, to reflect the importance of the Council's corporate governance arrangements and internal control environment.</p> <p>Members of the committee commended the report on its clarity, readability and robustness.</p> <p>RESOLVED (unanimously) that: The Annual Governance Statement be approved.</p>
6	<p><b>Treasury Management Annual Report</b></p> <p>The Cabinet Member for Finance and Resources presented the Treasury Management Annual Report 2014/15 which confirmed that the Council had complied with the Prudential and Treasury Indicators and that the return on investments [0.50%] had exceeded the 7-day LIBID benchmark [0.35%]. The ratio of financing costs to the revenue stream was in line with expectations, with the net revenue stream having reduced due to Section 31 Grants relating to retained business rates.</p> <p>The Cabinet Member for Finance and Resources confirmed that there were no changes proposed to the Treasury Management Strategy at this time but suggested that it may be appropriate to review some of the limits in the current strategy, especially in view of the high levels of cash that we collected and subsequently passed on to preceptors.</p> <p>RESOLVED (unanimously): That the report be noted.</p>
7	<p><b>Internal Audit Annual Report 2014/15</b></p> <p>The Head of Shared Assurance Services presented the report which summarised the work undertaken by the Internal Audit Service from April 2014 to March 2015; gave an audit opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control; gave an appraisal of the Internal Audit Service's performance and gave an evaluation following the 'review of the effectiveness of the Council's system of internal audit'. He responded to questions and observations from members.</p> <p>The Head of Shared Assurance Services was assured that the Council's controls remained strong, as evidenced by the totality of the audit work undertaken in the year. Action plans had been drawn up and agreed to deal with the two areas which had received a red rating. All work planned in the South Ribble and Shared Financial Services Internal Audit plans had been completed with the exception of Welfare Reform which had been deferred due to the</p>

	<p>implementation of the Single Fraud Investigation Service.</p> <p>Appendix 2 summarised the key performance data for the Internal Audit Service during 2014/15 and showed that all the internal audit performance indicators had been either achieved or exceeded. The only target which had not been met in the Key Performance Indicators was the one for the percentage of agreed management actions implemented on time. Although the actions and implementation timescales were agreed with managers, the actual implementation and timing was not within Internal Audit's control and there had been a number of managerial changes in 2014/15 which had impacted on the timeliness of implementation.</p> <p>Members observed that the 75% target itself seemed quite low and consequently the 63% outturn was disappointing. The Head of Shared Assurance Services confirmed that the Internal Audit team closely monitored the implementation of audit recommendations and agreed management actions and, in response to an observation from the chairman, he said that future reports to the committee could include more details of actual implementation, any monitoring by Internal Audit and an explanation of why some actions had not been implemented in a timely manner. The Principal Auditor confirmed that, when following up management actions, Internal Audit would ask for an explanation for any delays and would agree a revised date with relevant managers. The Head of Shared Assurance Services assured the committee that he would report to them any particular concerns he had about delays to the implementation of any agreed management actions and said that this committee could request managers to attend to explain their position. He was confident that the outturn reported in the current report was a 'blip'.</p> <p>The fact that there were no green control ratings in appendix 1 was evidence that the Internal Audit Service was focusing increasingly on critical and major risk areas and less on low risk areas.</p> <p>The committee joined the chairman in commending the recent retention of the ISO 9001 Quality Management System certification and examination success within the Internal Audit team.</p> <p>RESOLVED (unanimously): That the report be noted.</p>
8	<p><b>Compliance with International Auditing Standards</b></p> <p>The Principal Auditor presented the report which enabled the committee as 'those charged with governance' and the Chief Executive on behalf of 'management' to provide a range of assurances being sought by Grant Thornton as part of the external audit of the Council's 2014/15 accounts. She responded to questions from the committee.</p> <p>There was a working papers file to support the answers provided in the 'Responses from Management' and she confirmed that the questions posed by the external auditors had remained essentially the same for around five years.</p> <p>RESOLVED (unanimously): That the chairman and the Chief Executive be enabled to sign the assurance letters requested by Grant Thornton.</p>
9	<p><b>Year End Risk Monitoring Report 2014/15 Outturn and Revised Corporate Risk Register 2015/16</b></p> <p>The Risk Manager presented the report which informed members of the actions taken by management to address the key risks and opportunities in the Corporate Risk Register (CRR) during 2014/15 (Appendix 1) and presented a revised CRR for 2015/16 (Appendix 2) which took account of the risks that had now been mitigated plus any new or emerging risks and opportunities which were now impacting on the Council. The Risk Manager was pleased to confirm that the Council was continuing to manage its strategic risks effectively, as evidenced</p>

	<p>by the green Key Action Ratings in Appendix 1.</p> <p>The Corporate Risk Register 2015/16 in Appendix 2 included a new red rated risk, Expiry of the Waste Cost Sharing Agreement, and nine Risks and Opportunities carried forward from 2014/15 with Risk Rating columns for both 2014/15 and 2015/16 to enable members to see the direction of travel which was generally very favourable.</p> <p>He and the Head of Shared Assurance Services responded to questions and observations from the committee.</p> <p>Issues such as combined authorities, unitary authorities and elected mayors were captured as part of 'horizon scanning' but as discussions on a combined authority were at such an early stage it was not possible to quantify any associated risk at this stage. Having said that, the CRR was a live document and could be reviewed and expanded at any point as considered appropriate. The chairman pointed out that the Council had not made any decision as yet on the combined authority issue and as such it was not known what type of risk would need to be mitigated.</p> <p>Councillor Mrs Snape commented that in some cases there was simply a statement of fact in the 'Status' column of Appendix A and for clarity's sake it would be helpful if details could be provided of what had actually been delivered against the corporate plan actions.</p> <p>In response to an observation that one of the Corporate Plan Actions for the 'Expiry of the Waste Cost Sharing Agreement' was identical to one of the Corporate Plan Actions for CRR/2014/15/08 on page 7, the Risk Manager confirmed that this was appropriate even though the risks were different. From the audience the Director of Neighbourhoods, Environmental Health &amp; Assets explained that some actions were being developed around this new risk which would be added to the CRR in due course.</p> <p>There was some surprise in the committee at the reduced risk rating against 'manage the efficiency agenda....' given the earlier comment from the Cabinet Member for Finance and Resources about the financial challenges ahead and the Risk Manager acknowledged that there might be some movement in ratings in the next update to committee.</p> <p>There was also some surprise expressed at the significant drop in the risk rating against the 'new waste collection service contract' but from the audience the Chief Executive explained that the 2014/15 risk rating would have been measured early on in the procurement process. Current indications were that the new contract was going well, hence the reduced risk rating.</p> <p>The Head of Shared Assurance Services assured the committee that a red risk rating of 12 would not be managed any differently than the highest possible rating of 16.</p> <p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> <li>1) The progress made to manage the Council's key strategic risks during 2014/15 by reference to the end of year monitoring statement shown at Appendix 1 be noted, and</li> <li>2) the revised CRR 2015/16 shown at Appendix 2 be noted.</li> </ol>
10	<p><b>Forward Plan</b></p> <p>The forward plan was noted with the addition to the November meeting of the item relating to the slippage on the capital programme for parks and open spaces 2014/15.</p>

The meeting finished at 7.30pm.

..... Chairman