

## SOUTH RIBBLE BOROUGH COUNCIL

### Governance Committee

**Meeting held at 6.00pm on Wednesday, 27th January, 2016 in Wheel Room, Civic Centre, West Paddock, Leyland, PR25 1DH**

#### Present:-

Councillor Ogilvie (in the chair)

Councillors A Foster, Patten and Mrs K Walton

#### 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), Steve Nugent (Head of Human Resources), Ian Parker (Director of Governance and Business Transformation), David Whelan (Legal Services Manager)

Councillor Bennett (Cabinet Member for Finance and Resources)

Mark Heap and Gareth Winstanley from the Council's external auditors Grant Thornton

#### Officers:-

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#### Other Members:-

Councillors Mrs Moon, Mrs M Smith and P Smith

Minute No.	Description/Resolution
30	<p><b>Apologies for Absence</b></p> <p>Apologies for absence were submitted on behalf of Councillors Clark and Mrs Snape.</p>
31	<p><b>Declarations of Interest</b></p> <p>The Chief Executive and the Director of Governance and Business Transformation declared personal interests in the item relating to the Statutory Dismissal Procedure for Protected Officers and left the meeting for the duration of the discussion.</p>
32	<p><b>Minutes of the Last Meeting, Held on 25 November 2015</b></p> <p>RESOLVED unanimously: That the minutes of the meeting held on 25 November 2015 be approved as a correct record and signed by the chairman.</p>
33	<p><b>Statutory Dismissal Procedure for Protected Officers</b></p> <p>The Chief Executive and the Director of Governance and Business Transformation declared personal interests in this item and left the meeting for the duration of the discussion.</p> <p>The chairman reminded the meeting that this item had been deferred at the last meeting to allow further work to be carried out on it before consideration at a meeting of the committee's Task Group in December. The chairman confirmed that the procedure as now drafted was an</p>

accurate reflection of the outcome of that task group meeting. He suggested, however, that it might be appropriate to have flexibility with regard to the external organisation referred to in 4b). The committee supported the chairman in this and agreed that 4b) should be amended to read 'An appropriate body would be contacted to assist in.....'

The Head of Human Resources explained that this item would form part of a wider report containing a number of recommendations for changes to the Constitution for approval by Cabinet and Council for implementation from May 2016.

In the absence of any clear guidance from the Department for Communities and Local Government, the chairman explained that there had been a lengthy debate at the task group meeting about the make-up of the Disciplinary Panel referred to in the report and whether it was appropriate or not for it to be fully independent of this Council. Following the debate, the task group had agreed to recommend that it should be made up of a majority of independent members comprising two independent members and the chair of the Standards Committee.

From the audience the Leader said she understood that a mixture of approaches was being taken by other local authorities but her Cabinet colleagues felt that the Disciplinary Panel should be wholly independent of the Council. She considered that the chairman of the Standards Committee, whoever it might be, could not divorce him/herself from the fact that s/he knew the officers concerned and it would therefore be very difficult for them to have a completely open mind. The same applied in the case of any existing Independent Person for Standards who worked very closely with the Monitoring Officer. She concluded that she was of the opinion that the three members of the Disciplinary Panel should be completely independent of this Council.

From the audience the Cabinet Member for Finance and Resources echoed the Leader's comments and argued that there should be no personal connection.

The Legal Services Manager pointed out that the statutory scheme asked local authorities to look at involving their own Independent Person in the first instance. The Leader acknowledged that this was the case but pointed out that the authority could make its own choice.

Councillor Mrs K Walton said that at the start of the process she had been of the opinion that the panel should be completely independent but, having listened to the debate at the task group meeting, had concluded that the proposed approach presented the best scenario for this Council. The chairman said that he too had been similarly minded originally but he felt that the task group had come to what it considered to be a good compromise to reflect the range of views expressed.

RESOLVED (unanimously) that:

- 1) The statutory changes be noted;
- 2) the proposed changes to the Council's procedure detailed in the report be recommended for approval by Cabinet and Council as part of the wider Review of Constitution report.

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#### **Grant Thornton Certification Work for Year Ended 31 March 2015**

The chairman and members of the committee took the opportunity to welcome Mark Heap as the new external audit engagement lead.

Gareth Winstanley explained that the external auditors were required to certify certain claims and returns and for the 2014/15 financial year this amounted to one claim relating to the expenditure of £24.7million. He was grateful for the excellent support provided by the Housing Benefit team in completing the initial and additional 40+ testing workbooks.

In responding to members' questions, Mr Winstanley said that the external auditors had tested in the region of 80 to 100 cases using a model prescribed by the Department for Work and

	<p>Pensions. Given the total value concerned, a certain amount of human error was to be expected and the level of errors identified did not indicate a need for any specific training.</p> <p>The Director of Governance and Business Transformation assured the committee that we were well within the limit allowed by the Department for Work and Pensions and explained that efforts were made to recover claimant driven overpayments but those resulting from officer error were written off.</p> <p>RESOLVED (unanimously) that: The report be noted.</p>
35	<p><b>Grant Thornton's Governance Committee Update Report - Challenge Questions</b></p> <p>The Head of Shared Assurance Services presented the report which contained responses to the challenge questions posed in the external auditors' Update Report to the last meeting. These questions related to devolution, the government's new homes announcements and the government's council tax collection consultation.</p> <p>The Head of Shared Assurance Services explained that responses to the external auditors' challenge questions tended to be collated annually as part of the Annual Governance Statement process but confirmed that members had been briefed on all of these issues as far as was possible at this stage and that various further briefings would be held in the future.</p> <p>In response to a question from the chairman, the Director of Governance and Business Transformation confirmed that he did not anticipate government policy on council tax collection having any significant impact on this council.</p> <p>RESOLVED (unanimously) that: The report be noted.</p>
36	<p><b>Internal Audit - 2nd Internal Audit Interim Report</b></p> <p>The Principal Auditor presented the report which advised members of the progress made on the South Ribble and Shared Financial Services Internal Audit Plans up to the end of November 2015 and made an appraisal of the Internal Audit Service's performance to date. Most of the service performance indicators had either been met or exceeded but 'planned time used' and 'percentage of the audit plan completed' were slightly below target simply due to the way work was profiled over the year.</p> <p>Work would commence shortly on the process for compiling the Annual Audit Plan for 2016/17 and members were invited to contact the Principal Auditor by 12 February with suggestions for any topics which they would like to be considered for inclusion.</p> <p>At the request of the Monitoring Officer the outcome of the review of Licensing was noted and deferred for discussion at a future meeting.</p> <p>The Principal Auditor and the Head of Shared Assurance Services responded to questions from members.</p> <p>The Senior Management Team had requested a targeted follow-up review of the flexible working hours scheme which had identified some areas of non-compliance. Internal Audit was working closely with the Head of Human Resources to identify appropriate management actions. It was confirmed that the internal processes and procedures were completely clear and the findings of the review did not represent the picture across the whole authority.</p> <p>The Head of Shared Assurance Services considered there was no direct linkage between the issues identified in the reviews of the flexible working hours scheme and of overtime claims. Due to limited control features in the software, managers were required to supply additional</p>

information when they authorised overtime claims.

The vice-chairman enquired what steps the committee might take when internal audit findings pointed to a weakness in the authority and the chairman agreed to meet with the Head of Shared Assurance Services to discuss this and to report back to the next meeting.

The Cabinet Member for Finance and Resources, Councillor Bennett, expressed concern that there did not appear to be a procedure in place for cabinet members to request copies of Internal Audit review reports. He believed that cabinet members had a responsibility to challenge operational matters and that, as such, they should be provided with reports of reviews which had received a RED rating. From the audience, the Cabinet Member for Corporate Support, Councillor Mrs Moon, supported Councillor Bennett's comments and lamented the fact that there was no independent route from Internal Audit to portfolio holders.

The Head of Shared Assurance Services explained that the code of conduct by which he was obligated to operate demanded that he report to the Governance Committee and that he be independent of Cabinet. Reports of Internal Audit reviews were issued to Directors who should report to their portfolio holder/s if issues arose and could provide them with copies of the reports. Mark Heap of Grant Thornton confirmed that he agreed with Mr Barclay's explanation of his line of reporting.

Councillor Foster, vice-chairman, commended the work of the Internal Audit service but expressed concern about potentially serious corporate governance issues being dealt with internally by management only. He suggested that the committee should receive copies of reports highlighting areas of non-compliance and asked for confirmation that the committee could ask to see the report of the review of the flexible working hours scheme.

The chairman commented that, in his opinion, it was bizarre that portfolio holders who had responsibility for the delivery of efficient services were not automatically advised of issues that would affect those services.

The Head of Shared Assurance Services confirmed that the committee could ask to see full reports although he pointed out that some may contain a good deal of technical detail. He assured the committee that there was a very rigorous system in place for following up recommendations and agreed management actions. He would follow up on anything that was not addressed within a reasonable timescale. He stressed that managers were encouraged to be realistic on timescales when agreeing to management actions but, on occasion, there may be some over-optimism on the part of managers or sometimes things were outside of their direct control. In the event of any delays, the Internal Audit team would issue reminders and reschedule where appropriate. The Principal Auditor confirmed that the team did not 'let go' of management actions until they were fully agreed.

Mark Heap confirmed that the follow up process was very important in securing change and improvements and explained that Audit/Governance committees in some authorities requested relevant managers attend a meeting to explain the current situation and subsequently to report back on improvement actions taken. The Head of Shared Assurance Services confirmed that this facility was open to this committee too but that any outstanding management actions tended to be implemented before it got to that stage.

The chairman confirmed with the Head of Shared Assurance Services that it was within his remit to request copies of the reports of Internal Audit reviews on the flexible working hours scheme and of overtime claims and that he could pass them on to members of the Cabinet as he considered appropriate. He therefore concluded that this would be a solution in the short term but suggested that the committee's Task Group should meet to review existing processes and procedures with a view to identifying a longer term solution to ensure prompt visibility of issues to portfolio holders and the Senior Management Team.

	<p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> <li>1) the report be noted,</li> <li>2) copies of the reports of Internal Audit reviews on the flexible working hours scheme and of overtime claims be provided to the chairman for onward dissemination as he considers appropriate, and</li> <li>3) a meeting of the committee's Task Group be convened to review processes and procedures relating to the release of Internal Audit reports beyond the Governance Committee.</li> </ol>
37	<p><b>Revised Guidance for Audit / Governance Committees</b></p> <p>The Head of Shared Assurance Services presented the report which contained an evaluation of the Council's compliance with guidance on audit and governance committees from the Chartered Institute of Public Finance and Accountancy (CIPFA). He was pleased to confirm that this authority was already essentially fully compliant. The report also presented a revised Terms of Reference for members to consider and put forward proposals to address recommendations in relation to developing members' skills and knowledge. Related to this, members of the committee would be asked to complete and return a questionnaire about core areas of member skills and knowledge.</p> <p>The Principal Auditor confirmed that the peer review against Public Sector Internal Audit Standards referred to on page 2 of the report had to be carried out within the next two years and that details were currently being worked out.</p> <p>Members thanked the Head of Shared Assurance Services for an interesting and easy to read report and welcomed in particular the assessment at Appendix 3 of the suggested terms of reference against the current terms of reference.</p> <p>RESOLVED (unanimously) that:</p> <ol style="list-style-type: none"> <li>1) the report be noted,</li> <li>2) the committee's revised Terms of Reference be recommended for approval by Cabinet on 10 February as part of the wider Review of Constitution report, and</li> <li>3) the proposals in relation to developing members' skills and knowledge be accepted.</li> </ol>
38	<p><b>Budget Monitoring Statement as at 31 December 2015</b></p> <p>The Cabinet Member for Finance and Resources, Councillor Bennett, presented the report which provided an update on the Council's overall financial position compared to the financial strategy for the first nine months of the financial year 2015/16.</p> <p>Councillor Bennett responded to questions from the committee. He pointed out that at any one time there would always be a certain level of vacancies in an organisation and, In relation to the significant savings on salaries, he was confident that the corporate structure still allowed frontline services to be protected, as borne out by very high customer satisfaction levels. He was confident that planning applications would come forward in due course, allowing us to build the new homes that we were expected to provide but, in the meantime, this authority was looking to the county council to ensure that the infrastructure required as part of the City Deal was delivered.</p> <p>The Head of Shared Financial Services provided a detailed breakdown of the £352K savings on salaries, including the value of savings attributable to staff working reduced hours (£35k) and the number of posts which had been vacant all year (6). She explained that these tended to be in areas which were currently being considered for review and agreed to let the committee have a list of these vacant posts. Councillor Bennett confirmed that the Senior Management Team challenged every vacancy and, in the future, cabinet members would also be involved in this challenge.</p> <p>Councillor Bennett confirmed that the council's expenditure on the £500 payments to those</p>

households affected by the hall been reimbursed by the government and consequently had zero impact on the budget. He took the opportunity to thank all the officers who had been involved in helping affected residents since the flooding.

The Head of Shared Financial Services said that the 'Effect on Reserves' lines on page 2 of Appendix 1 could be expanded.

Taxi licensing income had reduced because the cost of licence renewals had gone down and licences were now valid for three years. Planning fee income from a 'large' application could run into tens of thousands of pounds. The committee expressed disappointment that Building Control still had a shortfall and was informed that although, the function was required to break even over a three year period, in practice government took no action if there was a shortfall. The Waste Contract Management contingency fund was in place for two years to support the implementation of the new contract which was currently running smoothly.

At the request of the chairman, the Head of Shared Financial Services confirmed that the format of Appendix 3 could be changed in future to allow comparisons to be made from one quarterly report to another. Similarly, the report could benefit from explanations where additional spend had occurred relating to projects which were listed as 'complete' in previous reports to committee.

In relation to the virement from the Capita Revenues & Benefits system upgrade budget, the Director of Governance and Business Transformation explained that capital funding was provided some time ago for the replacement of these items but it had been decided at that point not to replace them for a couple of years. Virement from one budget holder to another was done following discussions with the Finance team. The committee asked for visibility of the procedures relating to virement.

In relation to vehicle and plant replacement, the chairman requested clarification behind the logic of transferring £36k into a capital budget from revenue and then re-phasing a larger amount (£179k) into a capital project for the following year.

The 'borrowing' referred to on page 4 of appendix three was internal and although the Head of Shared Services confirmed that the term 'borrowing' was technically correct, she agreed to give some thought to whether any other term might explain the concept more clearly.

Councillor Foster said it would be helpful if the report could include details of where Section 106 monies were allocated to and which projects were being funded by which routes.

The Head of Shared Financial Services agreed to provide more details after the meeting of the rephrasing of the budget for the procurement of vans under the vehicles and plant replacement programme.

RESOLVED (unanimously) that:

- 1) the report be noted, and
- 2) the format of future reports be amended to include more detailed explanation of 'the effect on resources' and to allow comparison of one quarterly report to another;
- 3) details of the posts which had remained vacant all year be provided to the committee, and
- 4) the procedures relating to virement be made available to the committee.

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### **Corporate Governance Progress Report**

The Director of Governance and Business Transformation presented the report on progress made to strengthen the Council's governance arrangements. He confirmed that most of the agreed improvements had been completed or were expected to be by the end of the current financial year and the electronic complaint reporting system referred to at 3.2 would be considered as part of the next IT work programme.

	<p>RESOLVED (unanimously) that: The report be noted.</p>
40	<p><b>Processes and Procedure for Call-in</b></p> <p>The chairman presented the report, explaining that the Constitution Task Group had met before Christmas to review procedures for calling in a decision by the Scrutiny Committee and for making all members aware of a call in meeting. The chairman confirmed that there was no intention to delete any of the existing text in the Constitution and the report simply laid out a number of proposals intended to clarify and improve the current arrangements in the interests of transparency.</p> <p>RESOLVED (unanimously) that: The proposed amendments to the Scrutiny Committee Procedure Rules as contained in the report be recommended for approval by Cabinet on 10 February as part of the wider Review of Constitution report.</p>
41	<p><b>Forward Plan</b></p> <p>The committee noted its Forward Plan and agreed to add an item relating to Section 106 monies.</p> <p>RESOLVED (unanimously) that: The report be noted and the Forward Plan be updated as outlined above.</p>

The meeting finished at 8.02pm.

..... Chairman