

COUNCIL

WEDNESDAY, 26TH SEPTEMBER, 2018, 6.00 PM

SHIELD ROOM, CIVIC CENTRE, WEST PADDOCK, LEYLAND, PR25
1DH

SUPPLEMENTARY AGENDA

I am now able to enclose, for consideration at the above meeting of the Council, the following information:

5a Minutes of the Governance Committee

(Pages 43 - 48)

Meeting held on 26 July attached.

Heather McManus
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Council

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MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Thursday, 26 July 2018

MEMBERS PRESENT: Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Carol Chisholm and David Suthers

OFFICERS: Helen Seechurn (Interim Deputy Chief Executive (Resources and Transformation)/Section 151 Officer), Dave Whelan (Legal Services Manager/Interim Monitoring Officer), Jane Blundell (Deputy Section 151 Officer), Michael Jackson (Principal Management Accountant), Simon Hardman (Grant Thornton PLC) and Dianne Scambler (Governance and Member Services Team Leader)

OTHER MEMBERS AND OFFICERS: James McNulty (Senior Management Accountant), Louise Hawkins (PA to the CEO), Councillor Caroline Moon (Deputy Leader and Cabinet Member (Environment and Community Safety) Deputy Leader of the Conservative Group), Councillor Warren Bennett (Cabinet Member (Assets and Transformation)) and Councillor Phil Smith

PUBLIC: 1

15 Apologies for absence

Apologies were received from Councillors Paul Foster, Michael Nathan and Ian Watkinson.

An apology was also received on behalf of Mark Heap (Grant Thornton PLC) and Councillor Susan Snape, Cabinet Member (Finance). The Committee were informed that Councillor Warren Bennett, Cabinet Member (Assets and Transformation) was attending the meeting in her place.

16 Declarations of Interest

Helen Seechurn, Interim Deputy Chief Executive (Resources and Transformation) declared, that as she worked part-time for the Local Government Association she would not take part in any of the discussions relating to Item 4: Audit Findings Report, at the meeting.

17 Minutes of the Last Meeting

RESOLVED: (Unanimously)

That the minutes of the Governance Committee meeting held on 29 May 2018 be confirmed as a correct record for signing by the Chair.

18 Matters Arising from those Minutes

Minute 9 – Unaudited Statement of Accounts for Year Ending 31 March 2018

At the last meeting Members had requested further detail on the financial reconciliation for the relocation of DWP into the Civic Centre. This had yet to be circulated.

19 Treasury Management Annual Report 2017/18

The Committee received a report of the Interim Deputy Chief Executive (Resources and Transformation) that presented the outturn Treasury management activity monitoring information for the quarter to June 2018, together with a commentary on issues relating to the economy and updated interest rate forecasts.

All investment activity during 2017/18 complied with the strategy approved by Council. An average return of 0.49% had been achieved which had exceeded the target rate of 0.24% (being the seven day LBID plus 15%). Investments had peaked at £45.1m and at year end, the total, excluding accrued interest was £31.6m.

The average rate earned in the first quarter of 2018/19 had increased to 0.63%, though the average sum invested per day is currently lower than average for 2017/18. Officers would aim to identify additional counterparties, in particular money market funds and UK banks, as permitted by the approved investment strategy for 2018/19.

The Committee were informed that the revised Operational Boundary of £0.749 for 2017/18 had been exceeded by £0.151m. This is the limit beyond which external debt is not normally expected to exceed. On reflection it was considered that this revision had been set too low and would be reviewed accordingly. However, Members did note that the authorised limit for external debt, approved by Council had not been exceeded.

The Chair commented that this was a positive report that was going in the right direction. Table eight of the report summarised the term deposits at year end by investment counterparty and compared the value to the approved maximum. The Committee asked if there was any opportunity to revisit the counterparty listings and asked if this could be undertaken as an interim review. Councillor Warren Bennett, Cabinet Member (Assets and Transformation) shared the view that an expansion of our counterparties would be prudent at this stage and asked how the Council benchmarks against other authorities.

RESOLVED: (Unanimously)

1. That the report be noted.
2. That a review of the Council's Investment Strategy to include a use of its counterparties be undertaken and brought back to Committee for further consideration.

20 Audit Findings Report

The External Auditor apologised for the lateness of their report but reported that they were still confident that they would be in a position to sign off the accounts by 31 July 2018. They also gave thanks to the work of the Finance Team with a special

mention going to James McNulty for providing timely responses throughout the process.

The Committee received a report of the External Auditor on their audit findings for the authority for the year ending 31 March 2018 that highlighted key matters arising from the Council's financial statements.

Subject to outstanding queries being resolved, the Auditor intended to issue an unqualified opinion on the financial statements, these included:

- receipt of management representation letter
- completion of the cut-off testing
- review of financial instruments
- review of audit files by Engagement Lead and Manager, and
- review of the final set of financial statements

Upon completion of their risk based review of the Council's value for money arrangements the Auditor concluded that the authority did have proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to the Peer Challenge team, finding, that the pace of change remains slow, with progress hampered by a number of issues, including the lack of permanent senior capacity and the need to develop a coherent approach to corporate planning, financial planning and strategic risk and as such intended to issue a qualified 'except for' Value for Money conclusion on 31 July 2018.

In addition to the above requirements the external Auditor has additional powers and duties under the Local Audit and Accountability Act 2014 (the Act). The Auditor has concluded that it is appropriate to use these powers to make a recommendation under section 24 of the Act due to the slow progress made by the Council in respect of responding to the recommendations made by the Local Government Association (LGA) in their Corporate Peer Review 2017. This would require a response from the Council.

The statutory recommendation will mean that the Council needs to:

- make demonstrable progress in relation to the eight recommendations that were made in the letter dated 16 March 2018 to the Chief Executive from the Local Government Association (LGA) in relation to the LGA Corporate Peer Challenge follow up visit to South Ribble Borough Council
- in particular, the two recommendations in relation to the management structure to be implemented as a matter of urgency, which are to place particular focus in the short term upon:
 - implementing the new senior management restructure
 - developing the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas.

The Chair expressed his upmost disappointment to the Auditor, for the issuing of the statutory recommendation under Section 24 of The Act, feeling very strongly that this action was too extreme, given the vast improvements that had been made by the Council over the past 12 months. Councillors Caroline Moon, Deputy Leader and Warren Bennett, Cabinet Member (Assets and Transformation) also expressed their frustration with the Auditor's view, stating that all the recommendations made by the Peer Review had either been completed or were in hand, evidenced by meetings with LGA Peer Members through the Improvement Reference Group. A full

management response including Action Plan had been completed which had met with their approval and was being reported to Cabinet in September.

RESOLVED: (Unanimously)

That the report be noted.

21 Audited Statement of Accounts 17/18 and Letter of Representation

The Interim Deputy Chief Executive (Resources and Transformation)/Section 151 Officer submitted a report for Committee approval of the audited Statement of Accounts (SOA) for its publication by 31 July 2018 under requirements of the Accounts and Audit (England) Regulations 2015. Once approved, the signed statement would be published on the Council's website alongside the Annual Governance Statement.

Members were informed that material changes to the SOA from the draft version presented on 29 May 2018 related to an amendment on the Cash Flow Statement where two figures were misstated, but they were compensating errors and therefore had no impact on the accounts.

It was understood that the Appointed Auditor intended to issue an unqualified opinion of the SOA.

The Committee were advised that at the time of preparing the report and current version of the SOA, the auditors were still undertaking a limited amount of checks. Due to the audit not having been finalised, it was possible that further changes to the SOA could be required. As a consequence, it was recommended that the Interim Deputy Chief Executive (Resources and Transformation)/Section 151, in consultation with the Chair of Governance Committee should approve any non-material amendments before recertifying the SOA. In the event that the Interim Deputy Chief Executive (Resources and Transformation)/Section 151, was of the opinion that the amendments were considered material, the Governance Committee would be reconvened to approve the new SOA.

The Local Audit and Accountability Act 2014 provides a framework for local public audit. Under this Act, Public Sector Appointments Ltd (PSAA) has the power to make auditor appointments for local authority audits. Their responsibilities also include setting fees and monitoring the quality of auditors' work. From 2018/19, the PSAA, no longer has the power to make appointments for grant work, including Housing Benefit certification. The external audit certification of the Housing Benefit subsidy claim for 2017/18 will be undertaken by Grant Thornton for a fee of £7k. It is proposed to extend this arrangement, (subject to final agreement of the fee level) for a further year for the continuity and stability of the service during major changes in relation to the roll out of Universal Credit. Members were informed that the cost would be met from existing budgets.

RESOLVED: (Unanimously)

1. Approval of the Statement of Accounts (SOA) for 2017/18
2. Approval granted for the Interim Deputy Chief Executive (Resources and Transformation)/Section 151 Officer to sign off the Letter of Representation.

3. To note the appointment of the Grant Thornton PLC for the certification of grants for a further year in 2018/19

22 Annual Governance Statement

The Interim Monitoring Officer presented the Annual Governance Statement (AGS) for 2018 that provided assurance on the standards of corporate governance spanning all the Council's priorities and covering all activity.

The Council is required under the Accounts and Audit Regulations 2015, to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts.

The report followed on from that which had been presented to the Committee on 29 May 2018, when the Committee had considered the draft AGS and agreed its content, subject to some relatively minor amendments which had now been completed and the revised AGS was appended to the report.

Following receipt of the Audit Findings Report issued by External Audit the AGS had also been amended to include assurance by the Council to ensure that it fully complies with its duties under Section 24 of the Act.

RESOLVED: (Unanimously)

Approval of the Annual Governance Statement for signing by the Leader of the Council and the Chief Executive, for publishing with the Statement of Accounts for 2017/18

Chair

Date

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