

<b>MINUTES OF</b>	<b>GOVERNANCE COMMITTEE</b>
<b>MEETING DATE</b>	<b>Tuesday, 29 May 2018</b>
<b>MEMBERS PRESENT:</b>	Councillors Alan Ogilvie (Chair), Carol Chisholm, Paul Foster, Karen Walton and Ian Watkinson
<b>OFFICERS:</b>	Dave Whelan (Legal Services Manager/Interim Monitoring Officer), Lee Hurst (Principal Systems & Financial Accountant), Jane Blundell (Deputy Section 151 Officer), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor (South Ribble)), Simon Hardman (Grant Thornton PLC) and Dianne Scambler (Governance and Member Services Team Leader)
<b>OTHER MEMBERS AND OFFICERS:</b>	Councillor Susan Snape (Cabinet Member (Finance)) and Heather McManus (Chief Executive)
<b>PUBLIC:</b>	0

## **1      Welcome**

The Chair welcomed Councillors Carol Chisholm and Ian Watkinson who had been appointed to the Committee for 2018/19. The Chair also welcomed, Councillor Mike Nelson who had also been appointed to the Committee but was not present at the meeting.

The Chair on behalf of the Committee, wished to record thanks to Andy Houlker - Senior Democratic Services Officer, who had recently left the Council, for all his hard work and diligent service to the Governance Committee over the years.

## **2      Apologies for absence**

Apologies were submitted on behalf of Councillors Jim Patten, Vice Chair of the Committee and Mike Nelson.

## **3      Declarations of Interest**

There were no declarations of any interests.

## **4      Minutes of the Last Meeting**

RESOLVED: (Unanimously)

That the minutes of the Governance Committee held on 18 April 2018 be confirmed as a correct record for signing by the Chair.

## **5 External Audit - Audit Progress Update**

The External Auditor reported that everything was in place to start the audit of the draft accounts. Meetings would restart with the Finance team next week and they were confident that the final accounts would be ready for the end of July. The Grant Thornton core team would consist of Simon Hardman, Mark Heap and Richard Watkinson, with other members being brought in, as and when required.

Grant Thornton were delivering an event at Manchester University on the Art of making the Urban Environment attractive on 12 July 2018 and an invitation was extended to the Chief Executive to attend.

Simon Hardman, also extended his thanks and appreciation to Lee Hurst - Principal Systems & Financial Accountant who was attending his last meeting of Governance Committee, Lee was leaving the authority to start a new position in another authority, Simon wished him all the best in his new job on behalf of the team at Grant Thornton.

The Chair on behalf of the Committee also thanked Lee for all his hard work and support over the years and wished him all the best in his future endeavours.

The Committee sought assurances that there was adequate measures in place following Lee's departure as the team were in the middle of the closure of accounts process. The Committee were worried about the continuity of work due to this departure and the news that the temporary Deputy Chief Executive and acting Section 151 Officer was also leaving at the end of June.

The Cabinet Member (Finance) stated that she was monitoring the staffing situation carefully to ensure a robust financial team was in place to deliver the closure of accounts to the given deadlines.

The Chief Executive also gave assurances that there was adequate cover available within the Shared Financial Services across both authorities.

External Audit will also look to review the arrangements through their processes but took some comfort that Lee Hurst had been involved in the process up till this point. Lee Hurst also explained, that the production of the Statement of Accounts was very much a team effort and that there had been a long handover period for the team.

**RESOLVED:** (Unanimously)

That the report be noted.

## **6 External Audit - 2018/19 Audit Fee Letter**

The External Auditor presented the planned audit fee for 2018/19 for South Ribble Council. From 2018/19 all grant work, including housing benefit certification, will fall outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant work and returns. Any assurance engagements would therefore be subject to separate engagements agreed between the grant paying body, the Council and the external auditors and separate fees agreed with the Council.

Following a consultation process, PSAA had published the 2018/19 scale fees for opted-in bodies in March 2018. Due to these pooling arrangements, individual scale fees had been reduced by 23% from the fees applicable in 2017/18. The scale fee is based on the expectation that the Council is able to provide the auditor with complete and materially accurate financial statements, with supporting papers, within the agree timeframes. In response to the Chair, assurances were given that the finance team fully understood the expectations and that relevant measures were in place.

Members asked if the Value for Money conclusion would assess the Council's use of Interims and redundancies made during the implementation of the Council's transformation agenda and new senior management restructure.

External Audit reported that a full VfM review would be undertaken that would assess financial sustainability, effective decision making and work being undertaken with key partnerships. Previously highlighted areas for improvement would also be reviewed to ensure compliance. The guidelines for the VfM conclusion for 2017/18 remained similar to those of 16/17.

**RESOLVED:** (Unanimously)

That the report be noted.

## **7 Statement of Accounts for the 2017/18 Financial Year**

The Committee received a report of the Temporary Deputy Chief Executive (Resources and Transformation) that advised Members about the statutory requirements for signature, audit, inspection and publication of the accounts and Members' role in the process leading up to the formal submission of the Statement of Accounts (SOA) for approval by 31 July 2018, following completion of the external audit.

The report also provided Members with an update on the progress made towards meeting the earlier statutory deadline for approval and publication of the Statutory Statement of Accounts.

It was reported that the draft financial accounts had been formally signed off on 24 May and that the external audit was due to commence next week. Although there was no actual requirement at this stage for them to be presented formally to the Governance Committee. The Committee suggested that next year's meeting take place before the draft accounts were signed off to give the Committee an opportunity to comment.

Members were informed that there would be a Member Learning Hour held on 19 June on the Statement of Accounts and encourage Members to attend.

**RESOLVED:** (Unanimously)

That the report be noted.

## **8 South Ribble Borough Council - Budget Out Turn 2017/18**

The Committee received a report of the temporary Deputy Chief Executive (Resources and Transformation) that notified Members of the 2017/18 Budget Outturn position in relation to both Revenue and Capital Expenditure. The report also included the core financial statements relating to the year-end position including information on the balance sheet for completeness and in line with best practice.

The Accounts and Audit Regulations require that the Section 151 Officer of the Council must sign and date the un-audited Statement of Accounts (SOA) no later than 31 May 2018 for the 2017/18 financial year, that the Annual Governance Statement (AGS) accompanies the SAO and that the audited SOA, including the AGS, is approved by Members by 31 July 2018.

The Council's year end accounts have been finalised and showed an increased underspend of £0.77m, against the original annual budget with the final position showing a change of £0.491m against the last monitoring report at the end of December 2017, when it was anticipated that the budget would underspend by £0.279m and of the £0.3m budgeted contribution from reserves, only £0.021m would be required. The final outturn position reported at this meeting, means that no contribution is required and that the £0.470m surplus would be transferred to the Council's general reserve.

The main reasons for the underspend were set out in Table 1 of the report and included a reduction in planned expenditure of £0.094m, an increase in income of £0.468m, and increase in new Housing Benefits income of £0.119m and additional funding of £0.89m.

It was important to note that the 2017/18 revenue out-turn position is partly impacted upon by one-off occurrences and that their temporary nature should and would be considered in context when assessing their impact on the Council's Medium Term Financial Strategy (MTFS) to ensure that the budget is sustainable in future years.

It was reported that the original budget for 2017/18 had included efficiency targets of £0.435m all of which had been achieved in the year.

In response to Member questions, officers gave additional detail on a number of different points within the report that included how major projects like the City Deal and the Leisure Strategy would impact on the budget, the underspends in relation to the building maintenance fund and replacement bin charges, how the Council deals with its balances on reserves and outstanding debtors, especially in relation to Business Rate Retention and S106/CIL monies, awarded to the Council.

Officers also agreed that a breakdown of the capital budgets rephased into 2018/19 (£0.402m), would be circulated to the Committee. Early concern was raised re: the 8.553m capital budget for 2018/19 in relation to capacity to deliver all those projects.

Members felt that the new reporting style did not provide them with the adequate information needed to help them to understand the capital budgets enough to be able to hold people to account. In response the Chief Executive explained that this was a high level out-turn report and that a more detailed delivery and performance report would be reported on a quarterly basis. Members also asked if more detailed explanations could be provided when reporting on projects.

**RESOLVED:** Unanimously

1. That the report and appendices be noted;
2. That the final out-turn position of £0.770m underspend against the original revenue budget of £13,482m and the key variances be noted;
3. That the final out-turn position on the capital budget of £0.597 underspend against annual budget of £2.774m be noted;
4. That the financing of the capital programme for 2017/18 and approval carry forward of £0.402m of capital re-phasing into 2018/19 as outlined in the report be noted;
5. That the end of year position on reserves as a result of the out-turn position and contributions to and withdrawals from these reserves as detailed within the Core Financial Statements within the report be noted.
6. That Committee receive the detail behind the £0.435m efficiency savings relevant to the targets.

## **9      Unaudited Statement of Accounts for Year Ending 31 March 2018**

The Committee received a report of the Temporary Deputy Chief Executive (Resources and Transformation) that gave Members sight of the draft Core Financial Statements along with supporting information on the major changes and year on year variations. These statements will form part of the Council's year end statutory Statement of Accounts (SOA) for 2017/18 which must be signed and authorised for issue by the Chief Financial Officer by 31 May 2018.

The following statements and notes were presented to the Committee:

- Expenditure and Funding Analysis
- Comprehensive Income and Expenditure Statement
- The Balance Sheet
- Collection Fund Account

The cash flow was not available for inclusion at this stage but Members were informed that it would be made available in advance of the statutory publication date of 31 May.

The Expenditure and Funding Analysis showed an increase on the Net Cost of Service, chargeable to the General Fund Balance for the year. This was an overall increase of £2.449m in comparison to 2016/17. The most significant movement was in the net expenditure of the Chief Executive directorate and mainly related to one-off interim specialist consultant costs to support the organisation as it undergoes transformation and support the improvement action plan set by the Local Government Association (LGA), graduate apprentices and apprenticeship levy and an increase in the bad debt provision.

Councillor Susan Snape, Cabinet Member (Finance) explained that the authority are undertaking a large management restructure and that because of this, the £0.807m increase in the Chief Executive Directorate had been anticipated and budgeted for.

Members asked who monitors the final spend on projects against the budget and requested further detail on the financial reconciliation for the relocation of DWP into the Civic Centre.

**RESOLVED:** (Unanimously)

That the report be noted.

## **10 Internal Audit Annual Report 2017/18**

The Governance Committee received the Internal Audit Annual Report for 2017/18 that summarised the work undertaken by the Internal Audit Service from April 2017 to March 2018 and gave an opinion on the adequacy and effectiveness of the Council's framework of control, risk management and governance. The report also gave an appraisal of the Internal Audit's performance during the year and summarised the results of an independent peer review of the service that has been undertaken by the Heads of Audit of two Lancashire authorities.

The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. Any recommendations for improvement are agreed with Senior Management and progress reported to Committee. It was reported that no Internal Audit reports with a 'Limited' assurance controls assurance rating were issued in 2017/18.

The Council's arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system. Extensive officer training had been supplemented by Member Learning Hours covering the Corporate Risk Register and the revised Risk Management Framework that had been approved by Committee in April.

A range of actions had been taken during 2017/18 to strengthen the Council's governance arrangements and the Annual Governance Statement (AGS) Action Plan for 2018/19 included details of actions to further strengthen the Council's governance arrangements.

The 2018 AGS had been produced following a rigorous assessment process, both internal and external and was the opinion of the Head of Shared Assurance that upon the completion and implementation of the remaining improvement actions, the Council's system of corporate governance will incorporate the very highest standards of practice.

The majority of key performance indicators had either been achieved or exceeded. The only exception being the "Audit Plan Completed" indicator for South Ribble Council. Environmental Enforcement, Health and Safety and Commercial Properties, had each been the subject of a detailed service review that had resulted in considerable changes to processes and procedures. Completion of these audits had therefore been carried forward into 2018/19 to allow for the revised procedures to be embedded.

Following the new Senior Management restructure any management actions agreed with previous personal would be re-assigned to the newly appointed Directors.

The Chair commented that this was a positive report and thanked officers for their work over the year. The Committee were also informed that Dawn Highton, Principal Auditor was also attending her last Committee meeting after gaining promotion at

another authority. Members thanked her for all her help and support over the years and wished her every success in her new role.

**RESOLVED:** (Unanimously)

That the Internal Audit Annual Report for 2017/18 be noted.

## **11 Draft Annual Governance Statement**

The Interim Monitoring Officer presented a report on the Council's draft Annual Governance Statement (AGS) for 2018 to provide assurance on the standards of corporate governance spanning all the Council's priorities and activities. This was a requirement of the Accounts and Audit Regulations 2015. Members were asked to review and comment upon the draft AGS that was appended to the report along with an action plan of recommended improvements and proposed actions for 2018/19.

Last year's action plan was also appended to the report and it was noted that a great deal of progress had been made in the last 12 months to strengthen and improve the Council's governance arrangements.

Although, in accordance with CiPFA guidelines, the Chair considered the draft AGS to be too long and wordy and asked the Interim Monitoring Officer if he could look at a more digestible format for its presentation.

A new performance management system, InPhase, had been recently procured by the authority for managing the Council's performance. Training for officers was currently being rolled out and a Member Learning Hour would be delivered in the near future.

A lot of work had been undertaken on the new General Data Protection Regulations (GDPR). An officer working group were continuing to make good progress on the implementation of the new arrangements.

Members were concerned that the last Improvement Reference Group meeting had been cancelled and as yet had not been rearranged. This Group was meant to meet on a monthly basis and as the recent Peer Review had suggested a review of the role of Governance Committee, Members were keen to be involved.

**RESOLVED:** (Unanimously)

That the draft Annual Governance Statement be noted and suggested recommendations be included in the final version, along with some proposed deadlines and persons responsible for completion of key recommendations in the action plan.

## **12 Finance Contracts and Legal Matters**

The Committee considered a report that presented the draft Part 2P – Finance, Contracts and Legal Matters (formerly Article 15) of the Council's Constitution that had been recently reviewed by the Governance Committee Working Group.

**RESOLVED:** (Unanimously)

That full Council be recommended to approve the draft Part 2P - Finance, Contracts and Legal Matters (formerly Article 15) and the Council's Constitution update to reflect the changes.

### **13 Review and Revision of Constitution**

The Committee considered a report that presented the draft Part 2Q – Review and Revision of the Constitution (formerly Article 16) of the Council's Constitution that had been recently reviewed by the Governance Committee Working Group.

**RESOLVED:** (Unanimously)

That full Council be recommended to approve the draft Part 2Q – Review and Revision of the Council's Constitution (formerly Article 16) and the Council's Constitution update to reflect the changes.

### **14 Joint Arrangements**

The Committee considered a report that presented the draft Part 2N - Joint Arrangements (formerly Article 12) of the Council's Constitution that had been recently reviewed by the Governance Committee Working Group.

**RESOLVED:** (Unanimously)

That full Council be recommended to approve the draft Part 2N – Joint Arrangements (formerly Article 12) and the Council's Constitution update to reflect the changes.

Chair

Date