

GOVERNANCE COMMITTEE

TUESDAY, 29TH MAY, 2018, 6.00 PM

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

AGENDA

1 Apologies for absence

2 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

3 Minutes of the Last Meeting

(Pages 3 - 8)

Held on Wednesday, 18 April 2018, to be signed as a correct record.

4 External Audit - Audit Progress Update

The External Auditor will provide a verbal update on progress.

5 External Audit - 2018/19 Audit Fee Letter

(Pages 9 - 12)

Report of the External Auditor attached for information.

6 Statement of Accounts for the 2017/18 Financial Year

(Pages 13 - 16)

Report of the Deputy Chief Executive (Resources and Transformation) attached.

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

(Pages 17 - 34)

Report of the Deputy Chief Executive (Resources and Transformation) attached.

8 Unaudited Statement of Accounts for Year Ending 31 March 2018	(Pages 35 - 48)
Report of the Deputy Chief Executive (Resources and Transformation) attached.	
9 Internal Audit Annual Report 2017/18	(Pages 49 - 60)
Report of the Head of Shared Assurance Services attached.	
10 Draft Annual Governance Statement	(Pages 61 - 96)
Report of the Interim Monitoring Officer attached.	
11 Finance Contracts and Legal Matters	(Pages 97 - 104)
Report of the Interim Monitoring Officer attached.	
12 Review and Revision of Constitution	(Pages 105 - 114)
Report of the Interim Monitoring Officer attached.	
13 Joint Arrangements	(Pages 115 - 124)
Report of the Interim Monitoring Officer attached.	

Heather McManus
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Carol Chisholm, Paul Foster, Mike Nelson, Karen Walton and Ian Watkinson

The minutes of this meeting will be available on the internet at www.southribble.gov.uk

Forthcoming Meetings

6.00 pm Thursday, 26 July 2018 - Wheel Room, Civic Centre, West Paddock, Leyland PR25 1DH



MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Wednesday, 18 April 2018

MEMBERS PRESENT: Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Paul Foster, Caroline Moon, Margaret Smith and Karen Walton

OFFICERS: Dave Whelan (Legal Services Manager/Interim Monitoring Officer) and Andy Houlker (Senior Democratic Services Officer)

OTHER MEMBERS AND OFFICERS: Councillor Colin Clark (Deputy Leader of the Council and Cabinet Member for Corporate Support and Assets), Councillor Keith Martin, Councillor Phil Smith (Cabinet Member for Regeneration and Leisure), Councillor Susan Snape (Cabinet Member for Finance), Councillor Paul Wharton, Garry Barclay (Head of Shared Assurance Services), Jane Blundell (Deputy Section 151 Officer), Dawn Highton (Principal Auditor (South Ribble)), Lee Hurst (Principal Systems & Financial Accountant), Lisa Kitto (DCE (Resources & Transformation)), Heather McManus (Chief Executive), Simon Hardman (Grant Thornton PLC) (Grant Thornton PLC) and Mark Heap (Grant Thornton PLC)

PUBLIC: 0

52 Apologies for absence

All members of the Committee were present.

53 Declarations of Interest

There were no declarations of interest.

54 Minutes of the Last Meeting

That subject to the inclusion of Councillor Susan Snape as being in attendance, the minutes of the Committee held on 31 January 2018 be approved as a correct record.

In respect of Minute 46, the Committee was advised that the risk register plan relating to the South Ribble City Deal was currently with the City Deal Executive and would be circulated to the Committee as soon as possible.

55 External Audit Progress Report and Sector Update

The Committee received a report from the Deputy Chief Executive (Resources and Transformation) on the External Audit Progress Report and Sector Update. This provided information from the Council's external auditors on progress in delivering their responsibilities and was attached at Appendix A, and included:

- a summary of emerging national issues and developments that may be relevant to local authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider

Appendix A also included information in relation to:

- 2017/18 statutory audit and VFM update
- certification of claims and returns
- accounts audit plan 2017/18
- update on technical and local authority matters

There had been regular meetings between Council officers and the external auditors and good progress had been made along with early testing. The Council was certainly further along the process than at this point last year.

It was confirmed that to date that the audit findings had found that nothing was required to be reported to internal audit (such as a deficiency in controls etc).

In respect of the value for money conclusions (page 17 of the agenda pack), the Committee was informed that without further investigation it would be hard to ascertain if it was the same local authorities in 2015/16 and 2016/17.

In the external auditors report in respect of the concept of proportionality (page 18 of the agenda pack), the external auditor's commented that local authorities needed to operate within the regulations and an increase in commerciality had been noted.

In the External Auditors' report (on page 20 of the agenda pack) there was reference to the Supply Chain Insights tool which the Council might take advantage of. The Committee was advised that this was a recent tool in which the Council was interested and was being monitored by its officers.

RESOLVED (Unanimously):

That the external auditors report be noted.

56 External Audit Plan 2017/18

The Committee received a report from the Deputy Chief Executive (Resources and Transformation) on the External Audit Plan 2017/18 which was attached at Appendix A. This included the content and timing of their statutory audit for the year ending 31 March 2018.

The plan was risk based and was materially similar to the plan last year and covered the following:

- Respective responsibilities
- Deep business understanding
- Risks identified
- Materiality levels
- Value for Money (VFM) arrangements
- Resourcing, timescales and Audit Fees
- Early Closure requirements

In respect of the identified significant risks on Page 3 of the report it was explained that these were not specific to South Ribble and were included in many action plans across the country.

The Committee was advised that there were regular meetings between Council officers and the external auditor around the Statement of Accounts and Annual Governance Statement and the Council was confident that it would meet the deadlines.

RESOLVED (Unanimously):

That the External Audit Plan 2017/18 be noted.

57 Internal Audit Plan 2018/19 and Internal Audit Charter

The Principal Auditor presented a report seeking the Committee's approval of the Internal Audit Plan 2018/19 and Internal Audit Charter. The plan and charter were attached to the report at Appendices 1 and 2 respectively.

The Committee was informed that whilst there was a change from last year in the split of the number of audit days for South Ribble and those for Shared Services overall it was unchanged.

In respect of City Deal, the Committee was informed that it was felt the number of days allocated in the plan was appropriate and if needed, this could be increased using contingency days.

RESOLVED (Unanimously):

That the Internal Audit Plan 2018/19 and Internal Audit Charter be approved.

58 Risk Management Framework

The Head of Shared Assurance Services presented a report to the Committee on the updated Risk Management Framework. This demonstrated further improvements and that the Council was ensuring that risk management was central to its day to day activity.

The Committee appreciated the recent informative Member Learning Hour on Risk Management Framework providing a better understanding and the opportunity to give input into the review process.

Whilst GRACE (governance, risk assessment, and control evaluation) indicated a timescale for the review of individual risks under Para 6 of the report, in reality there was ongoing action to mitigate risks. It was confirmed there had been a lot of staff awareness training which had included how to report/raise an identified risk.

RESOLVED (Unanimously):

That the updated Risk Management Framework be approved for adoption.

59 2017/18 Closure of Accounts - Approval of Accounting Policies to be

included in the Statement of Accounts 2017/18

Further to Minute No.45, 31 January 2018, the Committee considered a report of the Deputy Chief Executive (Transformation and Resources) on the Statement of Accounting Policies to be included in the Statement of Accounts 2017/18.

These were minor changes listed in Section 4.5 of the report and identified as track changes in the policies document at Appendix A attached to the report. The Committee was also advised of future changes in the 2018/19 Accounting Code of Practice and subsequent years.

The Committee was pleased to see that external auditor's comments had been taken on board in the policies. It was confirmed that the policy changes and those forthcoming were not onerous on the Council.

RESOLVED (Unanimously):

That the Statement of Accounting Policies to be included in the Statement of Accounts 2017/18 be approved.

60 Notices of Motion

The Committee received a report from the Interim Monitoring Officer on a suggested change to the Council's Constitution regarding the rules relating to Notices of Motion.

Whilst the existing rules stipulated a deadline for the submission of Notices of Motion to be considered at a meeting of the Council, this did not extend to any amendments to a Motion. The suggested change was that a deadline be introduced for the submission of an amendment to a Motion. This followed concerns about the late submission of amendments to Motions at recent meetings of Council and the subsequent debate. The Committee discussed the merits of introducing a deadline for the submission of an amendment. However, whilst understanding the rationale it was felt on balance that the introduction of a deadline would remove flexibility and the means to resolve the recent issues was really with members using the existing rules.

RESOLVED (Yes: 4, No: 2)

That no change be made to the Council's Constitution regarding the rules relating to Notices of Motion.

61 Access to Information Procedure Rules

The Committee received a report from the Interim Monitoring Officer on revised wording for the Access to Information Procedure Rules. These were minor amendments aimed to improve clarity and reducing duplication. The Committee was pleased to note the amendments relating to late reports and to the publication of minutes.

RESOLVED (Unanimously):

That the revised Access to Information Procedure Rules attached at Appendix A to the report be agreed and now be recommended to Council for approval.

62 Whistleblowing Policy

The Committee received a report from the Interim Monitoring Officer on the updated Whistleblowing Policy attached at Appendix A to the report.

In respect of Para 4.1 (How does an employee raise a concern) it was suggested that the policy be amended to include, through their trade union as it was felt the trade union would be able to give advice/support to an employee about a concern.

Regarding monitoring and reviewing the policy it was suggested that the Monitoring Officer include reference to the policy in the Annual Report to the Standards Committee.

RESOLVED (Unanimously) that:

1. the updated Whistleblowing Policy with an amended Para 4.1 (as indicated above) be approved; and
2. the Monitoring Officer monitor and review the Whistleblowing Policy and in future reference to the policy be included in the Annual Report to the Standards Committee.

Chair

Date

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23 April 2018

Dear Heather

South Ribble Borough Council - Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £33,821 (2017/18: £43,923).

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken

under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	8,455
December 2018	8,455
March 2019	8,455
June 2019	8,456
Total	33,821

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to April 2019. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June to July 2019 and work on the whole of government accounts return in July if required.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to April 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Heap	0161 234 6375	mark.r.heap@uk.gt.com
Engagement Manager	Simon Hardman	0161 234 6379	simon.hardman@uk.gt.com
In Charge Auditor	Richard Watkinson	0161 234 6345	richard.watkinson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via sarah.howard@uk.gt.com.

Yours sincerely

Mark Heap
Engagement Lead
For Grant Thornton UK LLP

REPORT TO	ON
Governance Committee	29 th May 2018

External Audit Annual



TITLE	REPORT OF
Statement of Accounts for the Financial Year 2017/18	Deputy Chief Executive (Resources & Transformation)

Is this report confidential?	No
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1. PURPOSE OF THE REPORT

- 1.1 To advise 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 SOA for approval by the 31st July 2018 following completion of the external audit.
- 1.2 To provide Members with an update on the progress towards meeting the earlier statutory deadline for approval and publication of the SOA.

2. RECOMMENDATIONS

- 2.1 Members are asked to note the report.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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4. BACKGROUND TO THE REPORT

- 4.1 The Accounts and Audit Regulations came into force on the 1st April 2015 and bring forward the statutory timetable for production, approval and audit of the Statement of Accounts.
- 4.2 The responsible financial officer must sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end, and the income and expenditure for the year.
- 4.3 The responsible financial officer must then commence the period for the exercise of public rights and notify the local auditor of the date on which that period was so commenced. This must be done by 31st May 2018. There is no requirement for Members to approve the Statement of Accounts at this stage in the process. The main statements are however set out in a report elsewhere on the agenda.
- 4.4 The responsible financial officer must, on behalf of the authority, publish (which must include publication on the authority's website) the statement of accounts along with the Annual Governance Statement and a Narrative Report and a declaration, signed by that officer, to the effect that the status of the statement of accounts is unaudited and that the statement of accounts as published may be subject to change.
- 4.5 The regulation also states that the period for the exercise of public rights is treated as being commenced on the day following the day on which all of these obligations have been fulfilled. The responsible finance officer must also ensure that commencement of the period for the exercise of public rights takes place on such a day that includes the first 10 working days of June and continues for a single period of 30 working days.

5. CURRENT POSITION

- 5.1 The Statement of Accounts will be available for public inspection from Friday 1st June 2018 for a period of 30 working days. This will be advertised on the Council's website from 1st June and will mean that the council has met this new challenging deadline. Members of the Committee will be able to access the statutory accounts at that point. To aid members in advance of the publication, a short report setting out the main financial statements and variances is set out elsewhere on the agenda.
- 5.2 The audit of the accounts will then commence by the council's external auditors, Grant Thornton. Details of the audit approach have been presented to an earlier meeting of the Governance Committee. Preliminary work on the audit has already commenced.
- 5.3 Once the audit has been completed, the Accounts and Audit Regulations 2015 specify that the responsible financial officer must reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the Authority at the year end, and the income and expenditure for the year. The council is then required to:
 - consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;
 - approve the statement of accounts by a resolution of that committee or meeting;
 - ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

5.4 Once approved the council must, by no later than 31st July, publish:

- the statement of accounts together with any certificate or opinion, entered by the local auditor;
- the annual governance statement; and
- the narrative statement.

5.5 Publication of the final documents has to include the council's website. Arrangements are in place to ensure all of the requirements can be met and that the governance committee will be able to fulfil its duty in terms of scrutiny of the accounts.

6. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

6.1 No consultation was undertaken in preparing this report. The report purely relates to the statutory reporting requirements for the Statement of Accounts and the process in place to ensure the council is able to discharge its statutory duty.

7. FINANCIAL IMPLICATIONS

7.1 There are no direct financial implications arising as a result of this report. The report purely relates to the statutory accounting requirements for the Statement of Accounts. All financial implications relating to the final budget outturn position are considered in the Budget Outturn Report 2017/18 elsewhere on this agenda.

8. LEGAL IMPLICATIONS

8.1 The legal implications are in respect of the Accounts and Audit Regulations 2015 and the requirement that the accounts must be compliant with the relevant accounting standards and codes of practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

9. COMMENTS OF THE STATUTORY FINANCE OFFICER

9.1 There are no financial implications arising directly as a result of this report. The council works within a statutory framework and has worked hard to ensure that processes are as streamlined as possible in order to achieve this challenging deadline.

10. COMMENTS OF THE MONITORING OFFICER

10.1 Please see legal implications section. Essentially this report is designed to comply with the requirements of the Accounts and Audit Regulations 2015. Members are aware of the revised timetable this year for the sign off of the accounts including the Annual Governance Statement.

11. OTHER IMPLICATIONS:

<ul style="list-style-type: none">▶ HR & Organisational Development▶ ICT / Technology▶ Property & Asset Management▶ Risk▶ Equality & Diversity	<p>Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.</p>
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12. BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
- Budget Outturn Report 2017/18 (elsewhere on this agenda)

13. APPENDICES

None

SMT Member's Name: Lisa Kitto

Job Title: Deputy Chief Executive (Resources & Transformation)

Report Author:	Telephone:	Date:
Lee Hurst Principal Systems & Financial Accountant	01257 515481	11/05/18

REPORT TO	ON
Governance Committee	29 th May 2018



TITLE	REPORT OF
South Ribble Borough Council Budget Out-turn Report 2017/18	Deputy Chief Executive (Resources and Transformation)

Is this report confidential?	No
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1. PURPOSE OF THE REPORT

The Accounts and Audit Regulations require that:

1. The responsible financial officer of the Council must sign and date the unaudited Statement of Accounts (SOA) no later than 31st May 2018 for the 2017/18 financial year;
2. The Annual Governance Statement (AGS) accompanies the Statement of Accounts;
3. The audited Statement of Accounts, including the AGS, is approved by members by 31st July 2018.

This report has been prepared to notify members of the 2017/18 Budget Outturn position in relation to both Revenue and Capital expenditure. The core financial statements relating to this year-end position including information on the balance sheet and are also reported to this committee on this agenda for completeness and in line with best practice.

2. RECOMMENDATIONS

That the Governance Committee:

1. Note the contents of the report and appendices;
2. Note the final out turn position of £0.770m underspend against the original revenue budget of £13.482m and the key variances;
3. Note the final out turn position on the capital budget of £0.597m underspend against an annual budget of £2.774m;
4. Note the financing of the capital programme for 2017/18 and approve the carry forward of £0.402m of capital re-phasing into 2018/19 as outlined in this report;
5. Note the end of year position on reserves as a result of the out turn position and note the contributions to and withdrawals from these reserves as detailed within the Core Financial Statements and within this report.

3. EXECUTIVE SUMMARY

Revenue Service Budget

- 3.1 The council's end of year accounts have been finalised and are showing an underspending of £0.770m against the original annual budget of £13.482m, representing 5.7%. The final

position shows 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 £0.3m budgeted contribution from reserves, only £0.021m would be required. The final outturn position means that no contribution from reserves is required and that the £0.470m surplus will be transferred to the council's general reserve.

- 3.2 The main reasons for the underspend are set out in Table 1 and includes a reduction in planned expenditure of £0.094m, an increase in income of £0.468m, an increase in net Housing Benefits income of £0.119m and additional funding of £0.089m.
- 3.3 It is important to note that the 2017/18 revenue budget out-turn position is partly impacted upon by one-off occurrences. Their temporary nature should and will 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.
- 3.4 The original budget for 2017/18 included efficiency targets of £0.435m all of which were achieved during the year.

4. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	x
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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5. BACKGROUND TO THE REPORT

- 5.1 This monitoring report sets out the final position for the council in relation to its 2017/18 revenue and capital budget. The report supports the statutory accounts that are also being presented to the Governance Committee in accordance with statutory requirements. These accounts have to be signed by the Chef Finance Officer by 31 May 2018 which is one month earlier than has previously been required.

6. DETAIL

REVENUE NET EXPENDITURE

- 6.1 In 2017/18, the council set an original budget of £13.482m which included a budgeted contribution from General Reserves of £0.3m in order to set a balanced budget. The monitoring report presented to the Governance Committee in January 2018 showed a projected underspend of £0.279m against the original budget. At that time it was reported that the planned contribution from reserves of £0.3m would not be required and that only £0.021m would be needed in order to achieve a balanced position by the end of the year. The end of year position shows an increase in the underspend to £0.770m which means

that in addition to not needing the budgeted contribution to reserves, a further £0.470m will transfer to the general reserve.

- 6.2 The original budget for 2017/18 included efficiency savings of £0.435m. These were essential in order to ensure the council was able to achieve a balanced budget and are monitored throughout the year as failure to achieve them could have a significant impact on future long term planning and financial sustainability. All of the efficiency savings were achieved during the year through the generation of additional income and reduced costs as a result of restructuring and more efficient working, including customer self-service and remote working.
- 6.3 The in-year underspend was made up of a number of variances that are set out in Table 1 below:

Table 1: Summary of Revenue Outturn Variations

Details	Original Budget	Final Outturn	Outturn Variances (Under) / Overspend
	£000	£000	£000
Expenditure			
Employee costs	10,163	10,075	(88)
Premises	1,052	956	(96)
Transport	535	509	(26)
Supplies and Services	6,596	6,778	182
Third Party Payments	338	293	(45)
Transfer Payments	0	(8)	(8)
Capital Charges	1,138	1,125	(13)
Total Expenditure	19,822	19,728	(94)
Total Income	(5,804)	(6,272)	(468)
Housing Benefits (net of subsidy)	(536)	(655)	(119)
TOTAL REVISED BUDGET	13,482	12,801	(681)
Core Funding (Council Tax/ Business Rates/RSG/NHB)	(13,182)	(13,271)	(89)
Revenue Balance	300	(470)	(770)
Contribution to/(from) General Reserve	(300)	470	770
Balance	0	0	0

6.4 Explanations for the key variances are as follows:

6.5 Expenditure

Expenditure Type	Description
Employee Costs <i>Underspend £88k</i>	The £88k underspend is due to a saving in pension deficit contributions which is now paid as a fixed sum at the beginning of the year (£48k) rather than as a percentage of monthly pensionable pay. This change in approach was introduced after the annual budget had been set resulting in an in-year saving. The change has been reflected in the MTFS. Other variations include; staff turnover savings over and above the £100k savings target (£25k), reduced overtime costs budgeted for Forward newspaper delivery (£10k) and training cost savings (£5k).
Premises Costs <i>Underspend £96k</i>	The underspending includes £79k in respect of repairs and maintenance of buildings which is predominantly due to reduced staff resources resulting in a less proactive maintenance regime. Other underspends in premises costs include lower than anticipated rates for empty properties (£43k), an underspend on Grounds Maintenance (£10k) and reduced Property Insurance costs (£22k). These underspends were offset by an overspend of £55k due to an increase in rent for the rented property on Forward Industrial Estate following a rent review. As the increase was backdated there is a one-off charge in 2017/18 and the ongoing annual increase in rental is £9k.
Supplies and Services <i>Overspend £182k</i>	The overspend is mainly as a result of: <ul style="list-style-type: none"> • A one-off increase in the Provision for Bad Debts (£182k) at the end of the year. This has been increased to reflect an increase in outstanding invoices for Housing Benefit and sundry debtors; • Saving in Leisure Services fee (£29k); • Reduction in advertising and publicity costs (£26k) and Place Promotion (£24k); • Lower than anticipated costs of introducing Garden Waste charges in 2018/19 (£19k); • Increase in Professional Planning fees (£49k) in relation to the Cuerden Development site; • The professional valuation of the Council's Assets in order to inform the production of the Statutory Accounts (£28k).
Transport Costs <i>Underspend £26k</i>	The underspend was achieved through a reduction in staff mileage & travel costs (£10k), lower than anticipated expenditure on vehicle hire costs (£9k) and also on fuel (£7k).

Income

6.6 A key element of financial performance for the Council is the out-turn position achieved in respect of its higher value key income streams which are subject to external factors as well as being demand led. Due to the element of risk involved performance is specifically reported

throughout the year and the final position is set out in Appendix A. An explanation for the key variations from the table above are:

Income Type	Description
Investment Property <i>Under Recovery £73k</i>	The under recovery of income is as a result of: 2 units at Momentum being vacant (£15k); property at Station Rd, Bamber Bridge repossessed at the beginning of the year and in need of major refurbishment (£21k); the termination of a lease in September of a property at Clydesdale place (£11k); and the write off of income where rental agreements were terminated (£15k). The write-offs are in respect of income relating to previous years.
Planning Fees <i>Over Recovery £268k</i>	The additional income is as a result of increased activity and some major planning applications.
Building Control Fees <i>Over Recovery £35k</i>	The increase is due to increased activity. The Building (Local Authority) Charges Regulations 1998 gave local authorities the power to set their building control fees and require full cost recovery.
Interest on Investments <i>Over Recovery £110k</i>	The increase is as a result of having higher cash balances than forecast and higher rates being achieved on the re-investment of funds during the year. Comparatives for the previous financial year are set out in the table below. The actual rate of return achieved in 2017/18 of 0.495% which compares favourably with external benchmarks for investment returns.

- 6.7 The total income budget for the council is £5.8m of which £4.4m is recovered from fees and charges as set out in the table above. The remaining budgeted income includes grants and contributions received and costs recharged including business rates collection grant (£124k), City Deal contribution (£527k), fuel cost recharges (£221k) and Shared Services recharge (£304k). There were no variations on these income sources.

Comparison of interest earned 2016/17 and 2017/18			
	Average Balance	Average Rate	Interest Earned
2016/17	£35,683,027	0.575%	£205,078
2017/18	£36,164,564	0.495%	£179,120

Core Funding

- 6.8 Additional core funding of £89k was received including additional New Homes Bonus of £23k.

Core Income Fund Collection

- 6.9 The Council's performance on income collection is a critical factor in respect of its financial matters. As per **Appendix B** there has been little change in the in-year collection statistics for Council Tax, Business Rates and general Sundry Debtor accounts compared to the previous year (2016/17). Performance continues to be strong with a slight increase in the Council Tax Collection Rate (0.07%) and a slight decrease in the Business Rates Collection Rate (0.08%). Sundry debtors' arrears outstanding shows an increase but this is due to several large debts being invoiced towards the end of the financial year for which payment is

expected during 2018/19. It should be noted that prime reason for the reduction in the value of Business Rates collected from 2016/17 to 2017/18 is the impact of the 2017 business rates revaluation and this had been reflected in the 2017/18 budget.

- 6.10 Also set out at Appendix B is a summary position to show the amount of arrears collected in 2017/18 relating to the previous year. Over £1.1m was collected which is similar to the position in 2016/17. Whilst it is difficult to draw conclusions from this due to the fact that the timing of when invoices are raised during a year can have a significant impact, it does demonstrate that the council continues to pursue outstanding debts effectively and the overall level of arrears is not increasing.

Business Rates Retention (BRR)

- 6.11 The current BRR regime has been in existence since 2013/14. The rationale for this scheme is that the local retention of Business Rates income incentivizes Local Authorities to generate additional income by growing the tax base. The scheme does indeed provide a vehicle to generate additional receipts, however, it also transfers the financial risk associated with maintaining and growing the tax base, and the collection of monies due, from Central Government to Local Government.
- 6.12 When the new regime was introduced, South Ribble entered into a pooling arrangement with the wider Lancashire councils. Within the Lancashire pooling arrangements, the Council receives 90% of the Levy funds released from the arrangements (10% are passed to LCC). Outside of a Pooling arrangement only 50% of the Levy would be retained by the Council. The Levy is based on business rate growth over and above the baseline funding level determined by the Government. In 2017/18, the additional levy retained by South Ribble due to being in the Lancashire business rate pool was £1.1m and therefore the pooling arrangement continues to be beneficial to the council. This is reflected in the annual budget.
- 6.13 The total net income from business rates and s31 grant funding in respect of business rates in 2017/18 was £4.6m. The details are set out in Table 2 below:

Table 2: Summary of Business Rates Retention 2017/18

BRR Budget	Budget	Outturn	Variance
	£000	£000	£000
South Ribble Share of business rates income	(13,098)	(13,107)	
Less Tariff paid to Central Government	9,750	9,644	
Plus share of Collection Fund Surplus 2016/17	(251)	(175)	
Less Levy Paid to Lancashire Business Rates Pool	87	124	
Retained Business Rates Income	(3,512)	(3,514)	(2)
Plus: S31 Grant re NNDR Reliefs	(655)	(1,110)	(455)
Total income re Business Rates in 2017/18	(4,167)	(4,624)	(457)
Transfer to Business Rates Retention Reserve			457

- 6.14 The total business rates funding at the end of the year was £0.457m higher than the original budget due to additional s31 grant funding received. S31 grant is a compensatory payment for Central Government changes which resulted in a reduction in income for local authorities. When the budget was being revised in December 2017 there was uncertainty in relation to the basis of the calculation of s31 grant funding for 2017/18 in relation to small business rate relief. The amount of funding received is £0.457m higher than had been budgeted for. The council has a business rates equalisation reserve to manage the risk of changes in business rate income and the additional £0.457m will be transferred to that reserve in line with previous practice.

7 CAPITAL BUDGET OUTTURN

- 7.1 The original capital allocation for 2017/18 was revised during the year from £4.404m to £2.774m as part of the capital programme budget setting process for 2018/19. This reduction of £1.630m was due to capital schemes that had been approved and commenced in 2017/18 and would not be completed until 2018/19 (£1.477m) and in year savings (£0.153m). The carry forward schemes which were re-phased into 2018/19 are:

Carry Forward Schemes from 2017/18 Programme to 2018/19

Scheme	£
Open Spaces Infrastructure Schemes	35,000
Hurst Grange Park Drainage Works	20,000
St Mary's Penwortham – Churchyard Wall Repairs	105,000
Withy Grove Park	40,000
Worden Park – Replacement Conservatory/Greenhouse	142,505
Worden Park – Toilet Facilities improvements	200,000
McNamara Memorial	5,500
Priory Park	11,000
Lostock Hall Football Facility (s106)	145,000
Walton-le-Dale Community Centre Car Park refurbishment	54,505
	758,510
Vehicle Replacement Programme	718,444
Carry Forward from 2017/18 to 2018/19	1,476,954

- 7.2 Against the revised budget of £2.774m, the council has spent £2.177m equating to 78.5% spend against the budget and an underspend of £597k. The actual expenditure against individual capital budgets is set out in **Appendix C** and the main variations to budget are as set out below:

- Budgeted works started or committed in 2017/18 which have been re-programmed for completion in 2018/19 (£402k)
- Civic Centre works (£51k underspend)
- Farm Yard cottages new roofs - £50k budget removed as works to be undertaken in 2018/19 and funded from 2018/19 capital strategy budget for Existing Build assets
- Wesley Street Mill removal of residual budget (£48k)
- Regeneration projects (£49k underspend)
- Private Sector Improvement Grants – new scheme and take up higher than when the phasing between years was forecast (£26k overspend).

- 7.3 It is proposed that £0.402m be carried forward into 2018/19 in order that the planned works can be completed. The current capital budget for 2018/19 is £8.151m including £1.477m re-

phased from 2017/18 as part of the budget process. Adding the £0.402m carry forward will increase the 2018/19 capital budget to £8.553m. The remaining £0.195m will flow into the capital programme for future years and will form part of the discussions for the 2019/20 capital programme.

7.4 2017/18 Capital Expenditure & Financing

The major areas of capital expenditure and sources of funding in 2017/18 are as follows:-

Capital Expenditure	£'000
Asset management	201
DFG and other housing grants	704
Parks, recreation areas & open spaces	554
Regeneration	371
Vehicles, plant and equipment	61
Information technology and communications	262
Community Grants (Performance Reward Grant funded)	24
Sub-total capital expenditure excluding Leisure	2,177
Leisure Assets	257
Total capital expenditure	2,434

7.5 Capital Investment in the Council's Leisure Assets is procured by the Leisure Partner, South Ribble Community Leisure Trust in accordance with an agreed schedule of capital works and asset renewal and repaid via a fixed annual repayment. Therefore it isn't included in the Council's Budgeted Capital Programme and financing, however the annual financing costs of this deferred purchase arrangement are included in the Council's revenue budget forecasts.

Financing	£'000
Capital receipts	174
Fund balances & reserves	669
Government Grants	576
Deferred Purchase (Leisure)	257
Developers' Contributions - Section 106	268
City Deal	261
Other external contributions	174
Borrowing	55
Total financing of capital expenditure	2,434

8. USABLE RESERVES

Revenue Reserves

- 8.1 The Council's accounting policies were approved by Governance Committee on 18th April 2018. The approved accounting policy on reserves will be included in the accounting policies contained in the Statement of Accounts which is due to be approved by the Chief Finance Officer (CFO) before 31st May 2018 and post external audit inspection by the Governance Committee by 31st July 2018.
- 8.2 A full review of the contributions into Reserves and the categorisation of Reserves was completed and implemented during 2017/18 and reflected in the 2018/19 Budget report and the updated Medium Term Financial Strategy.
- 8.3 The following table shows the Council's overall level of revenue reserves as at 31st March 2017 and 31st March 2018, subject to the approval of the Statement of Accounts as drafted.

REVENUE RESERVES	31/03/17 £000	31/03/18 £000	Movement £000
General Fund Balance	4,597	5,357	760
Earmarked and Other Reserves	13,996	13,631	(365)
Total General Fund Reserves	18,593	18,988	395

- 8.4 This shows a General Fund balance of £5.357 million at 31st March 2018. The overall level of reserves has increased by £0.395 million, comprising of an increase in General Reserves of £0.760 million offset by a reduction of £0.365 million in Earmarked Reserves. The increase in general reserves includes the £0.470m surplus reported earlier. In addition to this there has been some consolidation of some previously earmarked reserves into the general reserve of £0.290m. Further detail is provided in Appendix C.

General Fund Balance

- 8.5 The general reserve is needed to deal with unplanned/unforeseen expenditure or losses in income. The General Fund Balance should be viewed in context of the funding uncertainty facing the Council and indeed all councils across the country. As outlined earlier in the report, in setting the revised budget for 2017/18 it was anticipated that a contribution of £0.021m would be made from the general reserve. Taking into account the out-turn position, there will be a contribution to the reserve of £0.470m.

Earmarked and Other Reserves

- 8.6 Earmarked reserves have been established to meet 'known or predicted liabilities' where the impact of the expenditure would otherwise cause a significant variation to the Council's annual expenditure. The reserves at the end of the year reflect some decisions that were made as part of the budget setting process which resulted in the creation of some new reserves and the consolidation of some existing reserves. For earmarked reserves the Committee should take into consideration the specific comments set out below in considering whether the reserves are appropriate. A summary of each reserve is listed below:

- Capital Strategy Reserve **£3.460M**; Repairs and Maintenance Fund **£0.5M**

The ICT, Leisure, Asset Management and Public Open Space Commuted sums reserves have been consolidated into the following two reserves:

- 1) Capital Strategy reserve to fund capital expenditure in line with the Council's Corporate Plan priorities, as set out in the approved Capital Strategy for 2018/19 to 2022/23; and
- 2) Repairs and Maintenance Fund. The revenue budget includes an annual provision for the costs of routine repairs and maintenance of the Council's property assets. This new reserve has been created to meet the costs of any major repairs and maintenance or improvement works to the Council's properties which cannot be met from this base budget.

- Transformation Fund **£0.5M**

In November 2017, Council approved the transfer of £0.500m from General Reserves to set up a Transformation Fund. The purpose of this reserve is to provide funding for projects which will generate a payback into the Council's revenue budget through sustainable income generation and/or recurring cost savings. There has been no call on this budget in 2017/18.

- Business Rates Retention **£2.257M**

The equalisation reserve was created in order to meet potential collection fund deficit liabilities commitments, the impact of tax base re-valuation and also unplanned Central Government Levy payments. This reserve should mitigate the potential risk to the Council's MTFs by providing funds to smooth out the inherent fluctuations that will occur as the three year time period characteristic of the system overlays and offsets each other in future years. The £0.190m paid out of the reserve comprises:

- 1) £100k release to revenue in accordance with the 2017/18 approved budget
- 2) £20k budgeted release to fund flood relief costs
- 3) £70k release to match fund the external cost of the business rates rateable value finder support service in 2017/18. As the fee is only payable on additional rateable properties found, the fee is paid from the Council's share of the business rates growth retained as income to the Council

- City Deal Fund **£1.671M**

This reserve is used to fund additional costs in relation to the delivery of City Deal projects and outcomes and has been used to fund City Deal staffing costs and Place Promotion.

- Borough Council Elections **£0.112M**

This reserve is used to meet the costs associated with the Council's elections held once every four years.

- Building Control Reserve **NIL**

The brought forward balance on this reserve related to surpluses generated on the Building Control fee-earning service set aside to support continuing service delivery. The balance has been transferred into the general reserve following the budget review of the Council's reserves.

- Housing Needs Survey **£0.097M**

This reserve is used to meet the costs of carrying out a detailed housing needs survey. A contribution of £20k was made into the reserve in 2017/18 and £10k was released to fund the cost of a Private Sector Housing Survey undertaken during the year.

- Local Development Framework (LDF) **£0.080M**

The purpose of this reserve is to meet the predicted fluctuating expenditure requirements in relation to the LDF. The closing balance on this reserve at 31st March 2018 was £0.080m. This is earmarked to fund any shortfall in funding of the Council's share of costs in relation to the Central Lancashire Local Plan in 2018/19.

- Performance Reward Grant **£0.048M**

As the accountable body, the Council received Performance Reward Grant on behalf of the South Ribble Partnership. The funding is for both capital and revenue projects. The balance in the reserve represents the revenue grant which has been set aside to be spent in future years. The capital element is shown in the balance sheet as a capital grant unapplied.

- Organisational Restructure costs **£0.090M**

Funding from this reserve is taken to revenue to fund any one-off costs in relation to reorganisation and restructure costs. £0.296m was used to fund redundancy costs in 2017/18.

- Borough Investment Account **£3.824M**

To facilitate income generation schemes and create a diverse and self-sustaining income portfolio to enable the Council to bridge the funding gap.

- New Burdens Funding **£NIL**

New Burdens grant income is received from Central Government to off-set additional implementation costs of government new initiatives. Previously any surplus receipts were set aside into an earmarked reserve but following the review of reserves the balance of funding was transferred into General Balances. The balance on the New Burdens Reserve, together with some monies carried forward from 2017/18, has been used to fund the costs of the interim management arrangements that are in place pending the implementation of the council's new management structure.

- My Neighbourhoods **£0.051M**

The balance on the My Neighbourhoods reserve as at the 31st March 2018 is £0.051m and this represents unspent core funding carried forward into 2018/19 to fund My Neighbourhoods expenditure.

- Other Earmarked Reserves **£0.606M** /Apprenticeship Reserve **£0.335M**

The balances on 'Other' earmarked reserves represent amounts carried forward from one financial year to the next, mainly where the timing of spending has been later than planned and it needs to be matched, for example, monies are specifically raised to fund the Sport Development Team and therefore unspent receipts need to be carried forward into future

years in order that the function has continued funding. It also includes funds set aside to ensure the Council can meet any liabilities which may arise.

The opening balance for 'Other' reserves at 1st April 2017 was £1.733m. Of this, £0.335m relates to funding set aside to fund Apprenticeship costs and this has been transferred to a new specific Apprenticeship reserve. A further £0.656m has been transferred into General Balances. In addition, £0.257m has been released to revenue to match expenditure incurred and £0.120m has been added to the reserve in respect of amounts carried forward into 2018/19.

In setting the Medium Term Financial Strategy the Council has acknowledged the longer term demands on certain reserves and accommodated these within its MTFs to address future expenditure pressures and financial sustainability risks facing the Council over the medium term.

8.7 Members are asked to note the level of reserves as set out at **Appendix D**.

Capital Reserves

8.8 Reserves held to finance the Capital Programme are set out in the table below together with a forecast of the capital receipts up to 31 March 2021. Capital receipts are used to support the Council's Capital Programme and the figures below have been adjusted to take into consideration the funding of the Capital Programme including the proposed re-phasing of expenditure from 2017/18. Capital Reserves were committed within the 5 year Capital Strategy for 2018/19 to 2022/23 as approved in the 2018/19 Budget and MTFs report.

Capital Reserve	Balance c/f 31 March 2017 £000	Out-turn Balance 31 March 2018 £000	Projected Balance 31 March 2019 £000	Projected Balance 31 March 2020 £000	Projected Balance 31 March 2021 £000
Capital Receipts Reserve	770	596	146	0	0
Earmarked Receipts	448	448	448	448	448
Preserved Right to Buy Receipts	889	889	889	535	35
Total	2,107	1,933	1,483	983	483

9 CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

9.1 This report is for information only and therefore there has been no consultation undertaken.

10 FINANCIAL IMPLICATIONS

10.1 As set out in the report.

11 LEGAL IMPLICATIONS

11.1 Please see comments of the Monitoring Officer below.

12 COMMENTS OF THE STATUTORY FINANCE OFFICER

12.1 The end of year monitoring position is key to the council's approach to financial governance. The final out turn position shows an underspend on revenue, much of which has been generated through additional income and an increase in funding. Where appropriate, the variances in 2017/18 will be incorporated into the medium term financial strategy for 2018/19 and future years. The position on the capital programme shows an underspend of which some is directly related to the planned completion of projects in the next financial year. The approach set out in the report enables these projects to be completed. The approach to reserves manages the risk to the council of managing unplanned expenditure and changes in funding.

13 COMMENTS OF THE MONITORING OFFICER

13.1 This report – along with other reports on the agenda relating to the Statement of Accounts and the Annual Governance Statement – is designed to meet our statutory obligations and comply with advice contained within the relevant Code of Practice (please see above). There are no legal concerns with this report.

14 OTHER IMPLICATIONS:

<ul style="list-style-type: none">▶ HR & Organisational Development▶ ICT / Technology▶ Property & Asset Management▶ Risk▶ Equality & Diversity	<p><i>The report is for information only and therefore there are no other implications</i></p>
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15 BACKGROUND DOCUMENTS

- Regulation 8 of the Accounts and Audit Regulations 2011
- The Local Government and Housing Act 1989, Section 56(5)
- 2017/18 Budget and Medium Term Financial Strategy – Cabinet, 20th February 2017
- Budget Projected Outturn Statement as at 31 December 2017 – Governance, 31st January 2018

16 APPENDICES

APPENDICES

Appendix A Summary of Key Income (Fees and Charges) Out Turn

Appendix B Council Tax, Business Rates and Sundry Debtor Collection

Appendix C Capital Outturn 2017/18

Appendix D Summary of Revenue Reserves and Balances

Lisa Kitto
Deputy Chief Executive (Resources and Transformation)

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	03/05/2018

Summary of Key Income (Fees and Charges) Outturn Position

Key Income (Fees and Charges) Budgets	Original Budget 2017/18 £000	Actual Outturn 2017/18 £000	Variance (Over) / Under budget £000
Investment Property Rentals	(1,126)	(1,053)	73
Civic Centre Rental	(10)	(7)	3
Worden Craft Units	(15)	(10)	5
Planning Fees	(375)	(643)	(268)
Trade Waste Charges	(477)	(463)	14
Building Control Fees	(158)	(193)	(35)
Interest on Investments	(69)	(179)	(110)
Pest Control Fees	(23)	(24)	(1)
Rats and Mice (new charge)	0	(9)	(9)
Environmental Permits	(19)	(19)	-
Market rents	(135)	(131)	4
Car Parking Charges/Permits	(93)	(107)	(14)
Car Parking PCN fines	(29)	(30)	(1)
Land Charges - charges	(100)	(99)	1
Taxi Licensing Fees	(76)	(74)	2
Licensing - Premises	(63)	(59)	4
Licensing – street traders	(23)	(26)	(3)
Licensing - other	(13)	(14)	(1)
Civic Centre room hire	(10)	(36)	(26)
Community Coaching income	(221)	(228)	(7)
Court summons costs recovered	(228)	(208)	20
Public realm (LCC)	(107)	(123)	(16)
Waste - Cost sharing	(909)	(909)	-
Waste – new bin charges	(75)	(29)	46
Waste - special collections	(32)	(40)	(8)
TOTAL*	(4,386)	(4,713)	(327)
<i>Plus one-off income received:</i>			
Insurance repayment			(36)
Land charges grant			(32)
DWP funding – Right Benefit Initiative			(19)
Expenses recovered			(20)
Sale of vehicles & equipment			(12)
Other minor income variations			(22)
TOTAL VARIATION			(468)

Council Tax, Business Rates and Sundry Debtor Collection

In-Year Collection

The table below sets out the in-year collection statistics for Council Tax and Business Rates compared to 2016/17.

	2016/17 Collection Rate %	2016/17 Amount Collected (£000)	2017/18 Collection Rate %	2017/18 Amount Collected (£000)
Council Tax	97.43	56,448	97.50	58,725
Business Rates	98.30	39,336	98.22	37,379
Sundry Debtors		6,558		7,701

Previous Years Collection and Arrears Information

The following table sets out the amount of arrears collected in 2017/18 that related to previous years. For comparative purposes, the information for 2016/17 is also provided. The table also sets out the level of arrears at the end of 2017/18 and 2016/17.

	2016/17 Previous Years Amount Collected (£000)	2017/18 Previous Years Amount Collected (£000)	Arrears at 31 st March 2017 (£000)	Arrears at 31 st March 2018 (including 2017/18 arrears) (£000)	Change to Arrears (£000)
Council Tax	1,069	983	3,785	3,782	(3)
Business Rates	29	146	1,138	1,222	84
Sundry Debtors			698	1,343	645

The arrears collected figures take account of council tax and business rates that have been refunded following changes to liabilities. The Valuation Office are continuing to reduce council tax bands and rateable values, which results in charges being reduced for previous years and refunds being issued, which then reduces the Previous Years Amount Collected figures.

The increase in the amount of sundry debtors' arrears outstanding at 31st March 2018 was due to several large debts being invoiced late in the financial year. These debts were subsequently collected early in April 2018.

Appendix C

Capital Outturn 2017/18

Description	2017/18 Budget	2017/18 Revised Budget	2017/18 Actual Expenditure	Over/ (Under) spend	Rephased into 2018-19	Over/ (Under) spend
	£000	£000	£000	£000	£000	£000
Shared Services and Corporate Support	337	341	267	(74)	(74)	-
Management of Assets	276	382	200	(182)	(25)	(157)
Neighbourhoods and Streetscene	2,173	661	606	(55)	(52)	(3)
Regeneration, Leisure and Healthy Communities	670	439	375	(64)	(15)	(49)
Strategic Planning and Housing	922	923	705	(218)	(232)	14
Performance Related Grant	26	28	24	(4)	(4)	-
TOTAL	4,404	2,774	2,177	(597)	(402)	(195)

Summary of Revenue Reserves As At 31 March 2018

	Balance 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance 31 March 2018 £'000	Reallocation between reserves £'000
GENERAL RESERVE	(4,597)	(470)	0	(5,357)	(290)
EARMARKED RESERVES					
Asset Management	(1,494)	(500)	401	0	1,593
ICT Strategy Reserve	(988)	-	267	0	721
Leisure sites repair and maintenance	(160)	-	-	0	160
Public Open Space Funds	(1,535)	(96)	155	0	1,476
Vehicle and Plant replacement	(21)	-	10	0	11
Capital Strategy Reserve	0	-	-	(3,460)	(3,460)
Repairs and Maintenance Fund	0	-	-	(500)	(500)
Transformation Fund	0	-	-	(500)	(500)
Business Rates Retention	(3,250)	(516)	190	(2,257)	1,319
City Deal Reserve	0	(492)	140	(1,671)	(1,319)
Borough Council Elections	(82)	(30)	-	(112)	
Building Control Reserve	(22)	-	-	0	22
Housing Needs Survey	(87)	(20)	10	(97)	
Local Development Framework	(80)	-	-	(80)	
Performance Reward Grant	(68)	-	20	(48)	
Organisation Restructure Costs	(385)	-	295	(90)	
Borough Investment Account	(3,824)	-	-	(3,824)	
New Burdens Funding Reserve	(222)	(59)	170	0	111
My Neighbourhoods	(45)	(6)	-	(51)	
Apprenticeship Reserve	0	-	-	(335)	(335)
Other Earmarked Reserves	(1,733)	(120)	256	(606)	991
Total Earmarked Reserves	(13,996)	(1,839)	1,914	(13,631)	290
TOTAL	(18,593)	(2,309)	1,914	(18,988)	0

Based on the budgeted assumptions in relation to the use of reserves to fund capital and revenue priorities, the forecast total reserve balances are:

	£'000
Actual March 2018	(18,988)
Forecast March 2019	(14,628)
Forecast March 2020	(11,413)
Forecast March 2021	(10,178)

REPORT TO	ON
Governance Committee	29 th May 2018

External Audit Annual



TITLE	REPORT OF
Unaudited Statement of Accounts for Year Ending 31 March 2018	Deputy Chief Executive (Resources & Transformation)

Is this report confidential?	No
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1. PURPOSE OF THE REPORT

- 1.1 To give members sight of the draft Core Financial Statements along with a brief commentary 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 the 31st May 2018.

2. RECOMMENDATIONS

- 2.1 Members are asked to note the report.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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4. BACKGROUND TO THE REPORT – STATEMENT OF ACCOUNS FOR YEAR ENDING 31ST MARCH 2018

- 4.1 This report sets out and discusses the draft Core Financial Statements and other supporting information and seeks to bring to the attention of the Governance Committee the significant changes from the previous year. The statements and notes presented to you are the:-

- Expenditure and Funding Analysis

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- The Balance Sheet
- Collection Fund Account

The cash flow was not available for inclusion in this report by the report publication deadline but will be available in advance of the statutory publication date of 31 May 2018.

4.2 The council's Statement of Accounts reflect the changes required as part of the updated CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. These are relatively straightforward when compared to the large number of changes required to the statements for 2016/17. The changes, and the action required to ensure compliance with the Code, were reported to Governance on the 31st January 2018. The changes were primarily clarifications of the requirements in relation to the 'going concern' basis of reporting and the introduction of a principles based approach to Narrative Reporting.

4.3 The draft core financial statements show the Council's year-end financial position as presented in the Statement of Accounts for 2017/18. This report does not make detailed comparisons between actual revenue and capital expenditure compared to budgeted expenditure for 2017/18 but provides a comparison from the 2017/18 financial year to the previous financial year. The Budget Outturn report for 2017/18 is elsewhere on the agenda and concludes the financial monitoring and reporting activity that has been reported to the Governance Committee throughout the year.

5. PRESENTATION OF THE DRAFT CORE FINANCIAL STATEMENTS 2017/18

5.1 Due to the earlier deadline for producing the Statement of Accounts 2017/18, and the fact this committee's report publication deadline is earlier than the statutory deadline for finalising the Statement of Accounts, it is not possible to analyse each individual statement in quite as much detail as has been the practice in previous years. Instead this detailed analysis will be provided at the Members Learning Hour on the 19th June.

5.2 In advance of that meeting however, the core financial statements and a brief overview are set out in this report. It must however be stressed that these are the draft core financial statements as at 11th May 2018 and may be subject to change between now and the authorisation for issue by the Chief Financial Officer by 31st May.

Expenditure and Funding Analysis

5.3 This new note was introduced in the 2016/17 Statement of Accounts to reconcile the Council's financial performance based on the General Fund Balance to the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

5.4 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.

5.5 Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2016/17				2017/18		
Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
2,041	153	2,194	Chief Executive	2,848	142	2,990
4,250	1,953	6,203	Neighbourhood, Environment and Asset Management	4,771	1,390	6,161
1,335	724	2,059	Development, Enterprise and Communities	1,692	1,039	2,731
2,588	215	2,803	Governance and Business Transformation	2,814	240	3,054
0	0	0	Budgets not in directorates	538	122	660
10,214	3,045	13,259	Net cost of Service	12,663	2,933	15,596
(13,029)	(1,519)	(14,548)	Other Income and Expenditure	(13,058)	(3,859)	(16,917)
(2,815)	1,526	(1,289)	(Surplus) / Deficit in year	(395)	926	(1,321)
(15,778)			Opening General Fund Balance at 1 April 2016	(18,593)		
(2,815)			Add Surplus / Less Deficit on General Fund Balance in Year	(395)		
(18,593)			Closing General Fund Balance at 31 March 2018	(18,988)		

5.6 The EFA shows:

- The Net Cost of Service chargeable to the General Fund Balance for the year was £12.663m. This is an overall increase of £2.449m when compared to 2016/17.
- The cost of providing services reported in the EFA on a funding basis, i.e. chargeable to the General Fund Balance and which excludes accounting adjustments for items such as depreciation and capital income, shows that net directorate expenditure increased between 2016/17 and 2017/18. The most significant movement was in the net expenditure of the Chief Executive directorate. This movement, from £2.041m in 2016/17 to £2.848m in 2017/18 totalled £0.807m and mainly relates to the one-off interim specialist consultant costs to support the organisation as it undergoes transformation and support the improvement action plan set by the LGA (£0.5m), graduate apprentices and apprenticeship levy (£0.1m) and an increase in the bad debt provision (0.2m).
- Costs increased in the other 3 Directorates by £1.1m as a result of costs relating to service restructuring (£0.6m), increased New Homes Bonus contribution to City Deal (£0.2m), a one-off release of council tax relief grant and lower council tax recovery (£0.2m) and the costs to the civic centre as a result of the DWP arrangement (£0.1m).
- A new line named 'Budgets not in directorates' has been included in the Expenditure & Funding Analysis and Comprehensive Income & Expenditure Statement for 2017/18. This line holds the costs relating to the payment of the pensions deficit recovery sum as a lump sum at the start of the financial year in return for a discount. This line was not present in the Comprehensive Income and Expenditure Statement for 2016/17 as the deficit lump sum for 2016/17 was prepaid during 2014/15.
- Net income on a funding basis under Other Income and Expenditure has moved very little although there have been some significant movements in both income and expenditure but these movements have 'cancelled each other out'. These movements are discussed in paragraph 5.8 under the Comprehensive Income & Expenditure Statement section of this report.
- The overall position is that there was a surplus of £0.395m on the General Fund Balance in 2017/18. This is made up of a £0.075m net use of Earmarked Reserves offset against a £0.470m actual year-end outturn surplus as set out in the Budget Outturn Report. There were also reclassifications between the General Fund Balance and Earmarked Reserves of net £0.290m during the year as a result of a decision to consolidate the number of reserves held. More information on this reclassification of reserves is available in the Budget Outturn Report elsewhere on this agenda.
- Presented in the other columns of the EFA are the accounting adjustments required under generally accepted accounting practice to be charged to each directorate and Other Income and Expenditure, and how this impacts on the Net Expenditure shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement (CI&ES)

5.7 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Expenditure and Funding Analysis at paragraph 7.6 and the Movement in Reserves Statement at paragraph 7.9.

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,508	(314)	2,194	Chief Executives	3,190	(200)	2,990
9,572	(3,369)	6,203	Neighbourhoods, Environment and Asset Management	9,012	(2,851)	6,161
4,250	(2,191)	2,059	Development, Enterprise and Communities	5,266	(2,535)	2,731
26,185	(23,382)	2,803	Governance and Business Transformation	25,050	(21,996)	3,054
0	0	0	Budgets not in directorates	660	0	660
42,515	(29,256)	13,259	Cost of Services	43,178	(27,582)	15,596
320	(38)	282	Other operating expenditure	398	0	398
4,001	(3,612)	389	Financing and investment income and expenditure	3,302	(3,518)	(216)
12,078	(27,297)	(15,219)	Taxation and non-specific grant income	9,768	(26,867)	(17,099)
58,914	(60,203)	(1,289)	(Surplus) / deficit on provision of services	56,348	(57,669)	(1,321)
		(107)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets			(128)
		4,982	Re-measurement of the net defined benefit liability			(5,077)
		4,875	Other Comprehensive (Income) and Expenditure			(5,205)
		3,586	Total Comprehensive (Income) and Expenditure			(6,526)

5.8 The most noticeable change in the CI&ES is the addition of the 'Budgets not in directorates' line with the Cost of Service section. This holds the costs relating to the lump sum payment of the pension deficit recovery sum and an explanation is set out in paragraph 5.6 under the Expenditure and Funding Analysis section. There have been some significant movements in

both income and expenditure. These are briefly summarised below but will be covered in detailed at the Members Learning hour on the Statement of Accounts:

- Overall, the expenditure on services has increased by £0.633m moving from £42.515m in 2016/17 to £43.178m in 2017/18.
- Within Financing and Investment Income and Expenditure, the main reason for the reduction in expenditure is a £0.487m reduction in the interest costs on the pension liability, an accounting entry to bring in the Council's share of the pension fund costs and income. There was a £0.071m reduction in expenditure for the investment property portfolio which fell in value during 2016/17 resulting in a cost, but which subsequently increased in value during 2017/18 and delivered additional income of £0.291m. There was also a £0.337m reduction in interest income on the pension fund assets.
- Taxation and Non-Specific Grant Income - Recognised Capital Grants and Contributions income, including Section 106, Community Infrastructure Levy, City Deal and Disabled Facilities Grants has increased by £2.222m to £2.941m but New Homes Bonus decreased by £0.080m and Revenue Support Grant fell by £0.660m. Retained Business Rates income fell by £2.481m due to the 2017 revaluation. Other general government grants increased by £0.522m. This contributed to an overall decrease in income of £0.430m. In relation to the decrease in expenditure, this movement of £2.311m related to the Business Rates Tariff where Business Rates Revaluation lowered the overall rateable value of business premises in the borough coupled with a reduction in the Business Rates multiplier which further reduced Business Rates income. The effect is that the amount of income collected was much lower and so the tariff, the difference between our deemed funding baseline requirement and the amount of income we collect, and which is paid to central government, was also much lower, being £9.664m in 2017/18 compared to £11.955m in 2016/17. More information on the Business Rates Revaluation is presented in paragraph 7.17, the Collection Fund section of this report.
- Finally, under Other Comprehensive Income and Expenditure there was a relatively small revaluation gain on Property, Plant and Equipment of £0.128m which is held in the Revaluation Reserve until it can be realised on disposal of the assets to which it relates. This is only a small movement of £0.021m from the previous year. Additionally, there has been an overall actuarial gain on the re-measurement of the net defined benefit liability of £5.077m compared to the £4.982m loss in 2016/17, a movement of £10.059m. This movement accounts for the vast majority of the movement in Total Comprehensive Income and Expenditure of £10.112m, resulting in income of £6.526m in 2017/18. The actual surplus on the provision of service in 2016/17 stands at £1.321m and was broadly comparable with the 2016/17 surplus of £1.289m. More detail on pensions is provided in the Balance Sheet section of this report.

Movement in Reserves Statement (MiRS)

5.9 This statement shows the levels of reserves, and movements therein. These indicate the underlying financial strength of the Council. This statement distinguishes usable from unusable reserves. "Usable" are available to fund expenditure or reduce local taxation. Unusable includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and the statutory basis prescribed for taxation purposes. The statement starts by showing the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting however, a series of statutory adjustments are then made, these adjustments are shown in total below and by directorate in the Expenditure and Funding Analysis. Earmarked Reserves are now amalgamated with the General Fund Balance within the MiRS.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	(15,778)	(2,089)	(6,768)	(24,635)	(3,736)	(28,371)
<u>Movements in 2016/17</u>						
Total Comprehensive Income & Expenditure	(1,289)	0	0	(1,289)	4,875	3,586
Adjustments between accounting basis & funding basis	(1,526)	(17)	317	(1,226)	1,226	0
(Increase) / Decrease in year	(2,815)	(17)	317	(2,515)	6,101	3,586
Balance at 31 March 2017	(18,593)	(2,106)	(6,451)	(27,150)	2,365	(24,785)
<u>Movements in 2017/18</u>						
Total Comprehensive Income & Expenditure	(1,321)	0	0	(1,321)	(5,206)	(6,527)
Adjustments between accounting basis & funding basis	926	174	(1,662)	(562)	562	0
(Increase) / Decrease in year	(395)	174	(1,662)	(1,883)	(4,644)	(6,527)
Balance at 31 March 2018	(18,988)	(1,932)	(8,113)	(29,033)	(2,279)	(31,312)

- 5.10 The above statement shows that there was a surplus on the provision of services in the year, calculated according to generally accepted accounting practice, of £1.321m (surplus of £1.289m 2016/17). The adjustments of £0.926m (£-1.526m in 2016/17) required for the purposes of calculating local taxes have been charged against this surplus resulting in a net surplus to be added of the General Fund Balance of £0.395m (surplus of £2.815m in 2016/17).
- 5.11 The change in adjustments between an accounting basis and a funding basis under regulation from -£1.526m in 2016/17 to £0.926m in 2017/18 is mainly due to the increase in the reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital income from £0.709m in 2016/17 to £2.941m in 2017/18. Although capital grants and contributions must be recognised in the Comprehensive Income and Expenditure Account for accounting purposes, it must not be counted as income for the purposes of taxation and so removed from the General Fund here.
- 5.12 Of the £0.395m surplus calculated for taxation purposes, a net £0.075m was transferred from earmarked reserves (£2.412m transferred to earmarked reserves in 2016/17). This leaves a total increase on the general fund balance in the year of £0.470m (increase of £0.403m in 2016/17). There were also reclassifications between the General Fund Balance and Earmarked Reserves of net £0.290m during 2017/18 to better align reserves to the council's financial strategy. This leaves a General Fund Balance at year end of £18.988m (18.593m in 2016/17) of which £5.357m relates to general balances (£4.597m in 2016/17) and £13.631m relates to Earmarked Reserves (£13.996m in 2016/17). More information about these movements is provided in the Budget Outturn Report 2017/18 elsewhere on the agenda.
- 5.13 The sum in the Capital Receipts Reserve decreased by £0.174m to £1.932m (in 2016/17 this increased by £0.017m to £2.106m). This is the result of no new capital receipts and use of capital receipts to fund capital expenditure in 2017/18 of £0.174m. This will be carried forward to fund future capital expenditure.
- 5.14 The Capital Grants Unapplied Reserve increased by £1.662m to £8.114m. This is due to receipts and transfers in year of £2.941m, £1.279m of which were applied to finance capital expenditure in year. Again these will be carried forward to fund future capital expenditure.

Balance Sheet

5.15 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories, the first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

Restated 31 March 2017 £'000		31 March 2018 £'000
27,690	Property, Plant & Equipment	28,147
11,480	Investment Property	11,332
168	Intangible Assets	188
56	Long Term Debtors	50
39,394	Long Term Assets	39,717
25,047	Short Term Investments	27,044
97	Inventories	87
2,636	Short Term Debtors	3,728
3,714	Cash and Cash Equivalents	4,670
31,494	Current Assets	35,529
(6,540)	Short Term Creditors	(7,902)
(1,200)	Provisions	(1,700)
(7,740)	Current Liabilities	(9,602)
(221)	Long Term Creditors	(217)
(645)	Other Long Term Liabilities	(596)
(36,703)	Net Pension Liability	(32,961)
(794)	Grant Receipts in Advance - Capital	(558)
(38,363)	Long Term Liabilities	(34,332)
24,785	Net Assets	31,312
(27,150)	Usable Reserves	(29,033)
2,365	Unusable Reserves	2,279
(24,785)	Total Reserves	(31,312)

5.16 A summary of changes on the Balance Sheet worthy of further explanation are:

- An overall increase in the value of Property, Plant and Equipment (PPE) of £0.457m due to additions (capital expenditure) of £1.540m and an increase in value of £0.797m on revaluation and reclassification, less a reduction in value of £1.880m as a result of depreciation.
- Liquid resources (Cash and Cash Equivalents) have increased from £3.714m to £4.670m and Short Term Investments have increased from £25.047m to £27.044m.

This is an overall increase in cash backed resources of £2.953m. In general terms this is in line with receipt of £2.941m of grants and contributions in the year. These resources are mainly held as investments (£29.044m) and in call accounts (£2.710m) with some other small cash in hand balances.

- There has been an increase in Sort-Term Debtors of £1.092m. This is mainly due to Section 106 and Community Infrastructure Levy invoices totalling £0.715m being raised within the last weeks of the old financial year but which were not due for payment until early in the new financial year along with an increase in Housing Benefit Overpayments debtors of £0.119m over the year.
- Short-Term Creditors have also increased significantly, by £1.362m to £7.902m. This is mainly due to income received in advance of the 2018/19 financial year for the Garden Waste Scheme totalling £0.530m, one-off severance costs charged to 2017/18 which are yet to be paid totalling £0.341m, a Section 106 Commuted Sum due to Chorley Community Housing of £0.250 and New Homes Bonus due to Lancashire County Council of £0.483m.
- Overall, the net worth of the authority (Total Reserves) has increased by £6.527m. This movement is analysed in the Movement in Reserves Statement and is mainly due to the surplus on provision of services of £1.231m, the net increase in capital receipts, grants and contributions after use in year of £1.488m, the revaluation gain on Property, Plant and Equipment of £0.128m and the movement in the Pensions Reserve used to hold the balancing adjustment relating to the Net Pensions Liability of £3.742m.

Collection Fund

5.17 The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities (SRBC) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates.

2016/17 Business Rates £'000	2016/17 Council Tax £'000		2017/18 Business Rates £'000	2017/18 Council Tax £'000
		Income		
	57,711	Council Tax Receivable		59,979
39,508		Business Rates Receivable	37,930	
39,508	57,711	Total Income	37,930	59,979
		Expenditure		
		Apportionment of Previous Year Surplus/(Deficit)		
382		Central Government	314	
306	(9)	South Ribble Borough Council	251	145
69	(44)	Lancashire County Council	57	783
	(6)	Police & Crime Commissioner for Lancashire		108
8	(3)	Lancashire Combined Fire Authority	6	44
		Precepts, Demands and Shares		
19,473		Central Government	16,372	
15,578	7,575	South Ribble Borough Council	13,098	7,751
3,505	40,903	Lancashire County Council	2,947	43,112
	5,648	Police & Crime Commissioner for Lancashire		5,838
389	2,280	Lancashire Combined Fire Authority	327	2,311
39,710	56,344	Total Expenditure	33,372	60,092
		Charges to Collection Fund		
13	238	Write offs of uncollectable amounts	41	162
97	69	Increase / (Decrease) in Bad Debt Provision	335	108
(300)		Increase / (Decrease) in Provision for Appeals	1,250	
128		Cost of Collection Allowance	124	
		Disregarded Amounts (Renewable Energy Scheme)	9	
(26)		Transitional Protection Payments	2,990	
(88)	307	Total Charges to the Collection Fund	4,749	270
(114)	1,060	Surplus / (deficit) arising during the year	(191)	(383)
		Collection Fund Balance		
776	488	Surplus / (deficit) brought forward at 1 April	662	1,548
(114)	1,060	Surplus / (deficit) arising during the year	(191)	(383)
662	1,548	Surplus / (deficit) carried forward at 31 March	471	1,165
		Allocated to		
265	207	Transfer to / (from) Collection Fund Adjustment Account	188	150
331		Central Government	235	
59	1,125	Lancashire County Council	43	854
7	62	Lancashire Combined Fire Authority	5	45
	154	Police & Crime Commissioner for Lancashire		116
662	1,548	Surplus / (deficit) carried forward at 31 March	471	1,165

5.18 The main points to note relating to the Collection Fund are as follows:-

- Business Rates income has fallen significantly due to the 2017 revaluation, reducing the overall rateable value of business premises in the borough by £4.954m from £91.014m in 2016/17 to £86.060m in 2017/18. The standard business rates multiplier also reduced from 49.7pence in 2016/17 to 47.9pence in 2017/18, further reducing the collectable income.
- The Collection Fund in relation to Council Tax has generated a small deficit in the year of £0.383m (surplus of £1.060 in 2016/17).
- The Collection Fund in relation to Business Rates has generated an in year deficit of £0.191m (deficit of £0.114m in 2016/17).
- The Council Tax element of the Collection Fund accumulated surplus is £1.165m at 31st March 2018, of which this Council's share was £0.150m. This was credited to the CI&ES, but was then transferred to the Collection Fund Adjustment Account in accordance with statutory requirements.
- The Business Rates element of the Collection Fund accumulated surplus is £0.471m at the 31st March 2018, of which this Council's share was £0.188m. This 40% share of the surplus was credited to the CI&ES, but was then transferred to the Collection Fund Adjustment Account in accordance with statutory requirements.

6. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

6.1 No consultation was undertaken in preparing this report. The report purely relates to the statutory reporting requirements for the Statement of Accounts. Training on the Statement of Accounts will be given to Member's at the annual Statement of Accounts Learning Hour.

7. FINANCIAL IMPLICATIONS

7.1 There are no direct financial implications arising as a result of this report. The report purely relates to the statutory accounting requirements for the Statement of Accounts. All financial implications relating to the final budget outturn position are considered in the Budget Outturn Report 2017/18 elsewhere on this agenda.

8. LEGAL IMPLICATIONS

8.1 The legal implications are in respect of the Accounts and Audit Regulations 2015 and the requirement that the accounts must be compliant with the relevant accounting standards and codes of practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

9. COMMENTS OF THE STATUTORY FINANCE OFFICER

9.1 There are no financial implications arising directly as a result of this report. All implications relating to the financial position and performance of the authority are dealt with in the accompanying Budget Outturn Report 2017/18 which compares actual out turn to the budgeted position rather than to the previous financial year. This report is also on the agenda for this meeting. The report is for information only as there is no requirement for committee to approve the Statement of Accounts at this draft stage, the Accounts and Audit

Regulations 2015 require the unaudited Statement of Accounts to be authorised for issue by the Chief Financial Officer by the 31st May. The report aims to demonstrate the link between the outturn position and the published financial statements and also our progress in achieving the earlier statutory deadline for publication. An analysis of year on year variances will be provided at the Member Learning hour on 19th June.

10. COMMENTS OF THE MONITORING OFFICER

10.1 Please see legal implications section. Essentially this report is designed to comply with the requirements of the Accounts and Audit Regulations 2015. Members are aware of the revised timetable this year for the sign off of the accounts including the Annual Governance Statement.

11. OTHER IMPLICATIONS:

<ul style="list-style-type: none"> ▶ HR & Organisational Development ▶ ICT / Technology ▶ Property & Asset Management ▶ Risk ▶ Equality & Diversity 	<p>Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.</p>
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12. BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
- Budget Outturn Report 2017/18 (elsewhere on this agenda)

13. APPENDICES

None

SMT Member's Name: Lisa Kitto

Job Title: Deputy Chief Executive (Resources & Transformation)

Report Author:	Telephone:	Date:
Lee Hurst Principal Systems & Financial Accountant	01257 515481	11/05/18

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REPORT TO	ON
Governance Committee	29 th May 2018



TITLE	REPORT OF
Internal Audit Annual Report 2017-18	G Barclay / D Highton

Is this report confidential?	No
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1. PURPOSES OF THE REPORT

The main purposes of this report are:

- to summarise the work undertaken by the Internal Audit Service from April 2017 to March 2018;
- to give an opinion on the adequacy and effectiveness of the Council's framework of control, risk management and governance;
- to give an appraisal of the Internal Audit Service's performance during the year;
- to summarise the results of an independent peer review of the Internal Audit Service undertaken by the Heads of Audit of 2 Lancashire authorities.

2. RECOMMENDATIONS

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

3. EXECUTIVE SUMMARY

3.1 The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and overall progress is reported to the Governance Committee. No Internal Audit reports with a limited assurance controls assurance rating were issued during 2017/18.

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

Governance – a range of actions have been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2018/19 includes details of actions to further strengthen Council's governance arrangements.

The 2018 AGS has been produced following a rigorous assessment process, both internal and external.

It is therefore the opinion of the Head of Shared Assurance that once the remaining improvement actions are implemented the Council's system of corporate governance will incorporate the very highest standards of practice.

4. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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5. INTERNAL AUDIT PLAN

5.1 **Appendix 1** to this report provides a detailed account of the individual audits undertaken in respect of the 2017/18 Internal Audit Plans for South Ribble Council and Shared Services. A summary of any actions that have been agreed with management to further improve controls within all the areas audited is also included within the appendix.

5.2 The following tables provide an analysis of the planned and actual auditor days used during the year together with an explanation of any variations that have occurred.

South Ribble Council

	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	210	199	11
Audits still in progress			
• Environmental Enforcement	15	5	10
• Health & Safety (incl. Legionella & Asbestosis Management)	30	7	23
• Commercial Properties	15	4	11
Contingency	90	110	(20)
TOTALS	360	325	35

5.3 Environmental Enforcement, Health & Safety and Commercial Properties were each the subject of a detailed service review (either internal or external) during 2017/18 resulting in considerable changes to processes and procedures. Completion of these audits has therefore been carried forward to 2018/19 to allow the revised procedures to be embedded. The 35 days variance on the audit plan has been offset by a reduction in the audit fees paid to Lancashire Audit Services (LCC).

Shared Services

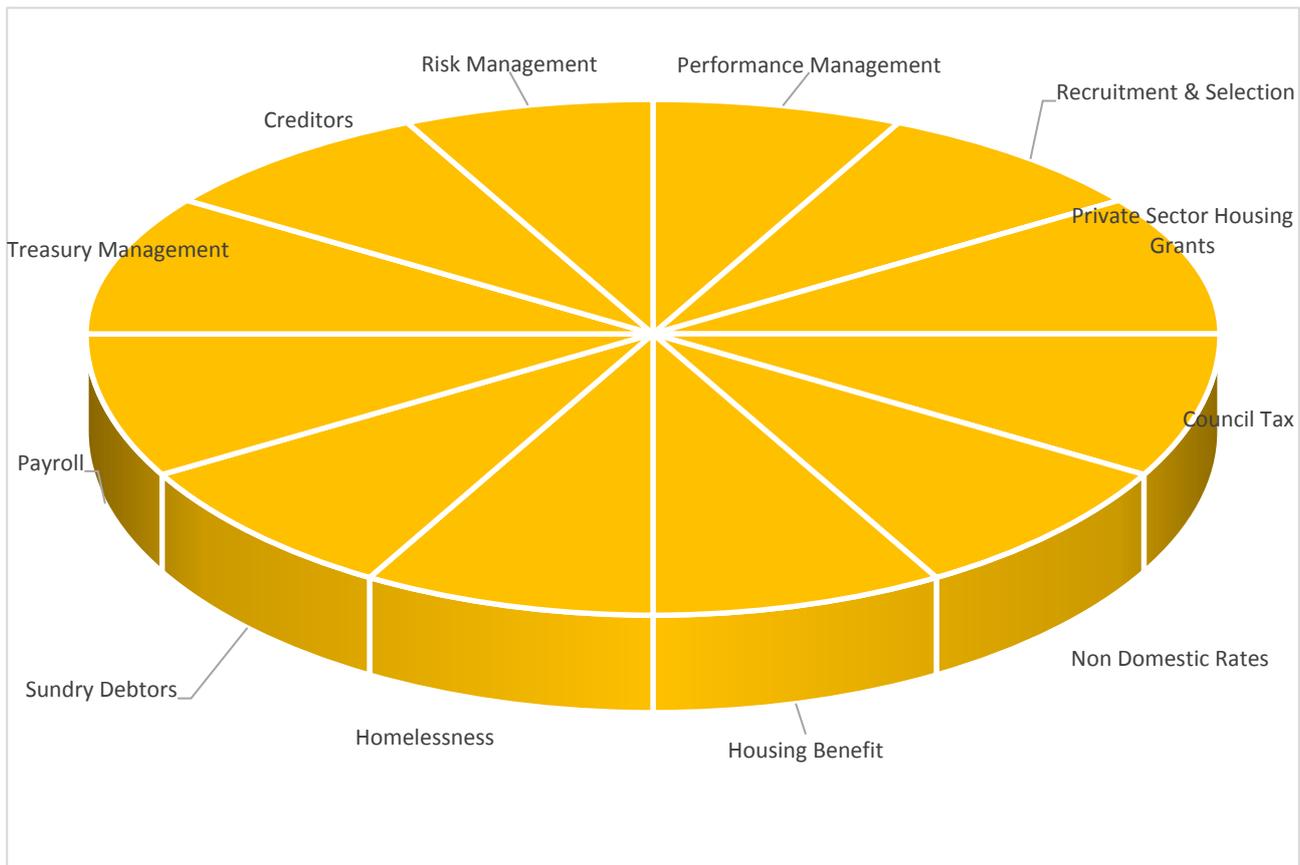
	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	75	76	(1)
Contingency	45	43	2
TOTALS	120	119	1

6. CONTROLS ASSURANCE

- 6.1 The Public Sector Internal Audit Standards require the Head of Shared Assurance to give an opinion on the overall adequacy and effectiveness of the Council's framework of internal control. Members will recall that individual audits are awarded a separate controls assurance rating from the following matrix:

Risk Rating	Critical	4	8	12	16
	Major	3	6	9	12
	Standard	2	4	6	8
	Minor	1	2	3	4
		Full	Substantial	Adequate	Limited
Control Rating					

- 6.2 Risk ratings are inherent to each system audited and they reflect the impact that they would have on the Council if they were to fail.
- 6.3 Control ratings are awarded after the audit is completed to reflect the level of internal control that is present in each system audited.
- 6.4 During 2017/18 a total of 11 systems were reviewed, 8 of which were deemed to be critical and 3 of which were major systems. The chart below shows the controls assurance ratings that were awarded for the individual audits undertaken during the year.



6.5 Members will note that all were awarded an amber controls assurance rating, with 2 critical systems receiving full assurance. Members are also reminded that the control ratings shown relate to the point in time when the respective audit reports were issued during course of the year. They therefore represent a historical rather than a current judgement as managers have been charged with implementing corrective actions to address the control issues raised, which in turn has been supported by a programme of follow-up reviews by the Internal Audit Service.

6.6 As a result of the recent management restructure, we are currently re-assigning management actions to new Directors and we will provide an update on this in the first report of 2018/19.

6.7 In arriving at an opinion on the effectiveness of the system of control it is important to take account of all independent sources of assurance obtained by the Council. Directors have provided examples of a range of these which include: the Customer Service Excellence Assessment; ISO 9002; Government Connect; Penetration testing; Investors in People Gold Standard; Green Flag awards; Peer review of Democratic Services and the Food Standards Agency audit.

7. KEY PERFORMANCE INDICATORS (KPIs)

7.1 The table at **Appendix 2** summarises the key performance data for the Internal Audit Service during 2017/18 and demonstrates that the majority of performance indicators have either been achieved or exceeded. The only exception being the “Audit Plan Completed” indicator for SRBC for the reasons given in 5.3 (above).

8. QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (PEER REVIEW)

- 8.1 The Accounts and Audit Regulations 2015 require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Audit Standards (PSIAS) or guidance”.
- 8.2 Members will recall that the Internal Audit Service has to provide confirmation to the Governance Committee on an annual basis that the requirements of the Public Sector Internal Audit Standards (PSIAS) are being complied with. This is usually achieved via the completion of an annual self-assessment but in addition the Council needs to arrange an independent external assessment at least once every 5 years. In Lancashire this is delivered via a programme of reciprocal peer reviews under the auspices of the Lancashire District Councils Audit Group.
- 8.3 The peer review of the Shared Internal Audit Service was recently undertaken by the Heads of Audit from Wyre & Lancaster Councils and we are pleased to report that the Service fully conforms with all the requirements of the PSIAS.

9. ISO 9001:2008

- 9.1 In January the Shared Internal Audit Service retained ISO 9001:2015 accreditation for its Quality Assurance System which is continuously updated to reflect any changes in working practices. Retention of the standard demonstrates that the Service is continuing to seek improved and more efficient working practices to maintain a high quality service.

10. BACKGROUND DOCUMENTS

Internal Audit Plan 2017/18

11. APPENDICES

Appendix 1 – Summary of Internal Audit Work 2017-18
Appendix 2 – Internal Audit Performance Indicators as at 30th March 2018

Garry Barclay
Head of Shared Assurance Services

Report Author:	Telephone:	Date:
Dawn Highton	01772 625251	1 st May 2018

APPENDIX 1 - SUMMARY OF INTERNAL AUDIT WORK 2017-18

AUDITS UNDERTAKEN	AUDIT OBJECTIVES & APPROACH	CONTROLS RATING	KEY CONTROL ISSUES
SOUTH RIBBLE COUNCIL			
Annual Governance Statement	<p>The Council is required under 10(1)(b) of the Accounts and Audit Regulations 2015, to publish an Annual Governance Statement (AGS).</p> <p>The role of Internal Audit was to co-ordinate a review of the system of governance and highlight any improvement actions to include in the Annual Governance Statement Action Plan.</p>	Not applicable	Proactive input provided rather than an audit / review
Anti-Fraud & Corruption	To provide generic fraud awareness training and issue information bulletins highlighting specific fraud risks.	Not applicable	Proactive input provided rather than an audit / review
National Fraud Initiative (NFI)	<p>The NFI is a data matching exercise, using sophisticated computer techniques which matches data within and between organisations to help detect fraud, overpayments and error.</p> <p>Internal Audit co-ordinated the Council's input to the 2016/17 main exercise and the 17/18 Council Tax Single Person Discount / Electoral Register exercise.</p>	Not applicable	<p>Investigations undertaken by the Revenues Section of the 2016/17 exercise are still on-going and to date have identified overpayments of housing benefit and council tax reduction scheme of £36, 350 which is currently being recovered.</p> <p>Data for the Council Tax (Single Person Discount) and the Electoral Register was submitted in December 2017, with 871 matches identified which are now being investigated.</p>
Performance Management	<p>The availability of complete, accurate and timely data is important in supporting customer care, corporate governance, management, decision-making, service planning, accountability and transparency</p> <p>During 2017/18 we have been members of the project team to enhance the Council's overall arrangements.</p> <p>In addition checks were undertaken on a sample of reported performance indicators to ensure compliance with the Council's Data Quality Policy.</p>	Amber (8) Substantial	No significant control weaknesses were identified, however the Data Quality Policy should now be updated to reflect the current organisational structure.

Project Management	To support the revision of the Council's Project Management Framework	Not applicable	Proactive input provided rather than an audit / review
Recruitment & Selection	<p>The objective of effective recruitment and selection is to acquire the right number of people with the right skills, experience and competencies in the right jobs at the right time. Recruitment should take place in context of a manpower plan that looks at staffing requirements based upon strategic objectives and development plans.</p> <p>The objective of the audit is to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (6) Substantial	<p>Whilst we are able to provide assurance that the majority of the risks associated with Recruitment and Selection are being effectively managed, there are some minor control weaknesses which need to be addressed in order to further strengthen the systems in place, these are summarised below:</p> <ul style="list-style-type: none"> • The recruitment and selection code of practice has not been reviewed and updated since 2012 in addition the code of practice does not include the new 'co-designed' recruitment process; • Not all Officers involved in recruitment and selection have received the appropriate training;
City Deal	Members of the project team to provide advice and guidance on governance, control and risk.	Not applicable	Proactive input provided rather than an audit / review
Housing Capital Working Group	Members of the project team for the development of Strategic Housing Policies.	Not applicable	Proactive input provided rather than an audit / review
Private Sector Housing Grants	<p>The Council is a statutory Strategic Housing Authority and therefore it has the responsibility for ensuring all housing in the Borough, irrespective of tenure, meets the requirements of the Housing Act 2004 and other relevant legislation.</p> <p>The Housing Assistance Policy provides guidance on how the Council will discharge its duties. This includes the provision of advice and guidance to householders. Grant funding is also available to improve properties energy efficiency and dealing with category 1 hazards as defined in the Housing Act 2004. Expenditure of £500k over a three year period is anticipated.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (6) Substantial	Whilst we are able to provide assurance that the risks associated with Private Sector Housing Grants are being effectively managed, the Housing Assistance Policy requires slightly amending to provide clarity to officers.

Council Tax	<p>Council Tax was introduced with effect from 1 April 1993 by the Local Government Finance Act 1992. The tax is payable by residents on all domestic dwellings, with certain exceptions for exempted classes, as a way of contributing to local services.</p> <p>The 2017-2018 income value is approximately £60.2m.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (8) Substantial	No significant control weaknesses were identified however evidence documenting refund checks should be introduced and so that there is a full audit trail, administrator access for ICT offices should be strengthened.
Non Domestic Rates,	<p>Under the Local Government Finance Act 1988, the Council is required to collect non domestic rates (Business Rates). The Revenues Section are responsible for the administration of non- domestic rates, including issuing of bills, collection and recovery of income, and the granting of reliefs and discounts. The 2017-2018 income value is approximately £38.2m.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed</p>	Amber (8) Substantial	No significant control weaknesses were identified however an independent review of the awarding of reliefs and discounts should be introduced
Housing Benefits	<p>Housing Benefit is a means tested social security benefit in the United Kingdom that is intended to help meet housing costs for rented accommodation. The primary legislation governing Housing Benefit is the Social Security Contributions and Benefits Act 1992. The Revenues & Benefits Sections objective is to administer Housing Benefit applications and assessments in compliance with the statutory guidance.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed</p>	Amber (8) Substantial	The controls in place for the management and administration of Housing Benefit provide substantial assurance. Only one minor control weakness was identified relating to the retention of landlord data.

Sundry Debtors	<p>Day to day responsibility for administering the Council's Sundry Debtor system is performed by the Revenues Service. The objective of the Service is to support the timely and accurate invoicing and recovery of income due to the Council arising from work done, goods supplied or services rendered.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed</p>	<p>Amber (4) Full</p>	No key control weaknesses identified
Homelessness Service	<p>The Council has a statutory duty under the Homelessness Act 2002 to carry out review of homelessness in the borough and to publish a strategy. Prevention of Homelessness has the following priorities</p> <ul style="list-style-type: none"> • Sufficient accommodation is and will be available; • Preventing homelessness is a priority; • A satisfactory provision of information, advice, assistance and support. <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed</p>	<p>Amber (6) Substantial</p>	No significant control weaknesses were identified. Officers are knowledgeable and strive to provide an effective Homelessness Service. The introduction of the Homelessness Reduction Act will introduce new duties on the Council, and work is already underway to implement the required changes.
General Data Protection Regulations	<p>The General Data Protection Regulation (GDPR) will apply within the UK from 25 May 2018. The main concepts and principles are much the same as those in the current Data Protection Act but there are new elements and significant enhancements that need to be made. The introduction of the GDPR also increases the financial risk to the Council due to the threat of significant fines.</p> <p>Members of the project team to provide advice and guidance on governance, control and risk.</p>	<p>N/A</p>	Proactive input provided rather than an audit / review

SHARED SERVICES			
Treasury Management	<p>The treasury management service fulfils an important role in the overall financial management of the Council's affairs. It deals with 'the management of the authority's investments and cashflows, its banking, money market and capital market transactions; the control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks' (CIPFA).</p> <p>The average daily investment figure for 2017/18 stands at £31.841m with no borrowings.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (8) Substantial	The controls in place for the management and administration of Treasury Management provide substantial assurance and only minor control weaknesses identified relating to the frequency and verification of reconciliations.
Payroll	<p>Staff costs form a significant proportion of the Council's expenditure. Control of staff costs is a key component to the financial success of the Council. Therefore having a robust and reliable payroll service to make payments to staff promptly and accurately, and to provide information to management on the payments made is essential.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (8) Substantial	No significant control weaknesses were identified however HR payroll reconciliations should be carried out more frequently and evidence documenting payroll budget holder sign-off should be re-introduced. In addition improvements should be made to HR documentation retention to improve the audit trail.
Creditors	<p>The Council's Creditors (accounts payable) function is maintained by Shared Financial Services. The Section is responsible for the processing of purchase orders, invoices and for payment of creditors of the Council using Authority Web.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	Amber (4) Full	No key control issues were identified.

<p>Risk Management</p>	<p>The Risk Management Framework is a key contributor to the internal assurance processes and the production of the Annual Governance Statement which reports the extent to which the Council has complied with its Governance Code. The GRACE (Governance, Risk Assessment & Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic Risk Register and those in relation key projects, procurements, partnerships and processes.</p> <p>The objective of the audit was to provide assurance or otherwise on the adequacy and effectiveness of the key controls implemented by management to ensure that the identified risks are being sufficiently managed.</p>	<p>Amber (8) Substantial</p>	<p>To be completed once report received</p>
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INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30th March 2018

	Indicator	Audit Plan	Target 2017/18	Actual 2017/18	Comments
1	% of planned time used	SS	90%	99%	Target exceeded
		SRBC	90%	90%	Target achieved
2	% audit plan completed	SS	100%	100%	Target exceeded
		SRBC	100%	77%	Completion of 3 reviews carried forward to 2018/19
3	% management actions agreed	SS	98%	100%	Target exceeded
		SRBC	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	100%	Target exceeded
		SRBC	90%	96%	Target exceeded

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SS = Shared Services
 SRBC = South Ribble

REPORT TO	ON
Governance Committee	29 May 2018



September 2017

TITLE	REPORT OF
Draft Annual Governance Statement	Interim Monitoring Officer

1. PURPOSE OF THE REPORT

1.1 The report presents 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 covering all activities.

1.2 A great deal of progress has been made in the last 12 months to strengthen and improve our governance arrangements.

2. RECOMMENDATIONS

That the Committee review and approve the council's Annual Governance Statement and make appropriate comments.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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4. BACKGROUND TO THE REPORT

4.1 The Accounts and Audit Regulations 2015 require the council to conduct an annual review of the effectiveness of its system of internal control and to prepare an annual governance statement (AGS). **This is attached at Appendix A.**

4.2 The AGS explains our governance arrangements, the review of the governance framework against our Local Code of Governance and future plans to improve and strengthen the governance environment. Members will recall that our Local Code of Governance was revised and updated in 2017. The AGS needs to be published with the financial statements; however, it should be emphasised that the AGS is a broader reflection of the whole governance of the council, relating to not just financial controls, but covering all activities of the council.

4.3 Accordingly it is good practice that the statement is approved separate to the accounts and also signed by the Leader of the Council and the Chief Executive to emphasise its importance and corporate nature

5. DETAILS AND REASONING

5.1 The review of the council's governance framework is directed by a senior officer governance group comprising various senior officers including the Chief Executive, the Section 151 officer, the Head of Shared Assurance and the Monitoring Officer. The main role of the group is to monitor and review the Council's governance practices and to continually strengthen and improve the council's arrangements. Both the governance group and this committee have a contributory role to play in improving and strengthening the governance environment.

Assurance Gathering

5.2 Due to the corporate nature of the statement and the variety of people with responsibilities a shared approach is taken to assurance and evidence gathering. Considerable evidence has been documented in support of the AGS for subsequent review by the council's external auditors.

5.3 Evaluation of the assurance evidence, identification of recommended development areas and compilation of the draft statement has been undertaken by the governance group and supported by a corporate assessment undertaken by Internal Audit.

5.4 Reliance has been placed on the council's constitution; corporate and service planning processes; performance, risk and financial management frameworks; anti-fraud and ethical governance arrangements; the Internal Audit Service and the Governance, Joint, Standards and Scrutiny Committees. The process has also been supplemented by service assurance statements that have been signed by each Director / Head of Service and work to assess the role and duties of the Chief Financial Officer and the Head of Internal Audit.

5.5 Independent assurance for the statement is also taken from the work and reporting of our external auditors and other external review bodies.

Reporting

5.6 In preparing the draft statement the group has been guided by a good practice document published by The Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE (Society of Local Authority Chief Executives).

5.7 The statement consists of five sections as follows:

Section 1 of the AGS "*what we are responsible for*"

Section 2 "*the purpose of the Governance Framework*" explains why it is important that we produce and publish a statement of our governance arrangements.

Section 3 of the statement identifies the key elements of the Council's governance framework and compliance with our Local Code. The principles highlighted in this section are ones that the council adopted in 2017 to comply with up to date CIPFA guidance.

Section 4 demonstrates our commitment to excellence

Section 5 highlights areas of development that have been identified from the review process which will further enhance our governance arrangements. Some of these areas are a continuation of work that has already been started.

5.8 An Annual Governance Statement Action Plan 2018 for implementation during 2018/19 is attached at Appendix C. Progress against last year's Action Plan is shown at Appendix B. Members should note the excellent progress we have made against that Plan.

5.9 Members' attention is particularly drawn to some of the key actions/events set out in section 4 of the AGS. These include:

- Management Restructure
- Latest Peer Review Assessment
- New Corporate Plan
- General Transformation Agenda

5.10 We have slightly changed the format of the AGS to show more clearly how we have addressed all the constituent elements of our Local Code of Governance.

5.11 Following the external audit of the council's accounts, the finalised accounts for 2017/18 including the AGS will again be presented to the Governance Committee in July prior to publication. At this time the statement will incorporate feedback and will also have been signed by the Leader of the Council and the Chief Executive.

5.12 Progress on improvement actions will continue to be reported to this committee.

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

The AGS will be published with the financial statements/statement of accounts.

6.2 Comments of the Monitoring Officer

The production of the AGS demonstrates compliance with the Accounts and Audit Regulations 2015. More generally it is clearly crucial that the council does everything practicable to demonstrate that its governance regime is as robust as possible – the AGS is a vital part of that process.

<p>Other implications:</p> <ul style="list-style-type: none"> ▶ Risk ▶ Equality & Diversity ▶ HR & Organisational Development ▶ Property & Asset Management ▶ ICT / Technology 	<p>The statement and more importantly the underlying process of assessment will enhance our internal control and corporate governance status thus minimising risk</p> <p>There are no adverse implications for equality issues with this report</p> <p>There are no specific HR implications arising from this report</p> <p>There are no specific Property or asset management implications arising from this report</p> <p>There are no specific ICT implications arising from this report</p>
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7. BACKGROUND PAPERS

None

David Whelan
Monitoring Officer

Report Author:	Telephone:	Date:
David Whelan	01772 625247	11 May 2018

Annual Governance Statement 2018

1. What we are responsible for

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to high standards and that there is a sound system of governance (incorporating the system of internal control). Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility we have put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

In 2017 we approved and adopted a code of corporate governance (referred to as the local code) that is consistent with best practice governance principles for both public services and in particular for local government. ¹

This governance statement explains how we have followed our local code² and also met our statutory requirements.³

2. Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money. The council has responsibility for ensuring that there is a sound system of governance.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

3. Our Governance Framework

Our Governance Framework which was adopted by full Council at its meeting on the 24th of May 2017 promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council.

The principal elements of our governance arrangements in 2017/18 and our commitment to our local code are described below:

1. The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".
2. South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at www.southribble.gov.uk or can be obtained by contacting D Whelan, Interim Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH
3. Regulation 6(b) of the Accounts and Audit (England) Regulations 2015

A. Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Council's commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Behaving with integrity	<ul style="list-style-type: none"> ✓ The council has a set of Core Values in place which inform everything we do ✓ Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about what is achieved but also how business is done ✓ Our Core Values are incorporated into job descriptions for senior managers and embedded into our performance and development process ✓ We have a suite of relevant policies in place – i.e. Whistleblowing policy, Antifraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance, RIPA ✓ Contracts and service specifications for the main partnerships are informed by our values 	<p>Local Code of Governance Transformation Strategy Corporate Plan Performance and Development Review process Suite of policies available through intranet – regularly reviewed, updated. Member and officer protocol</p>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ✓ We have a robust Members' Code of Conduct in place which has recently been reviewed by our Standards Committee and new in 2017-18 a Member and Officer Protocol ✓ We have a robust Employee Code of Conduct in place ✓ We are committed to raising the profile of our Standards Committee – more regular meetings are now scheduled –the Chair of Standards reports to full Council on a quarterly basis ✓ The Protocol for the Independent Person has been formalised and is included in the Constitution ✓ We have strengthened our standards arrangements by appointing a second Independent Person ✓ We have an Investigation and Hearing policy which sets out how we deal with complaints against Members – this was updated and strengthened this year ✓ We have regular Member learning hours as well as tailored training for members on particular committees ✓ We have a register of interests in place for officers and members to declare interests. Members are advised on an annual basis to review their declaration of interest's forms and interests are published online 	<p>Members Code of Conduct Constitution (Part 5A) Code of Conduct for employees Constitution (Part 5B) Standards Committee Terms of Reference. Independent Person Protocol - Constitution (Part 4J) Member and officer protocol Member learning hours – See Appendix C Action 1 Register of interests</p>
Respecting the rule of law	<ul style="list-style-type: none"> ✓ Appointment of statutory officers including; Head of Paid Service, Monitoring Officer and S.151 Officer who fulfil their responsibilities within legislative and regulatory requirements ✓ Compliance with CIPFA's statement on the Role of the Chief Finance Officer in Local Government (2016) ✓ We have an induction programme for new Officers and members ✓ We have Financial Regulations and Contract Procedure Rules in place ✓ Substantial work has been completed on reviewing and updating our Constitution 	<p>Constitution Review of compliance with statement on role of CFO. Financial Regulations and Contract Procedure Rules – See Appendix C Actions 2 & 7</p>

B. Good governance means ensuring openness and comprehensive stakeholder engagement

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Ensuring openness	<ul style="list-style-type: none"> ✓ Our Local Code of Governance, Constitution and Annual Governance Statement show the Council's commitment to openness ✓ Our Corporate Plan provides a focus, sets out the priority objectives, key targets and supporting improvement actions, the plan is reviewed and updated on an annual basis and is communicated through our website. In 2017-18 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5-year Corporate plan for 2018-23 ✓ Council and Committee agendas and decisions are available to the public through our website except where confidential matters are being disclosed ✓ The culture in the council is that wherever possible all reports should be open to the public; we minimise the number of exempt reports ✓ Wherever possible exempt reports are made public following a six month period upon request ✓ Public participation is encouraged at our council and committee meetings – for example at Planning committee the public have greater rights to speak than is found at many councils ✓ Requirements of the Code of Transparency are being met and in some areas exceeded ✓ The Corporate Plan, financial strategy and governance arrangements are reviewed annually and incorporate the key improvement areas. They ensure that resources are directed towards our priority areas and that our aims are realistic in the context of the funding constraints placed upon us ✓ Scrutiny Committee report to every Council meeting – it meets 6 times a year – Scrutiny Committee have clear terms of reference ✓ Every two years we have an Employee survey (the last in November 2016) and in 2017, we did a comprehensive survey of all members ✓ Staff are consulted on matters through a South Ribble Action Group, CONNECT, and the Extended Leadership Team. In addition there has been extensive consultation with staff as part of the cultural mapping review ✓ The Transformation Strategy and Transformation Programme, progress is reviewed and reported to Cabinet 	<p>Local Code of Governance Constitution Annual Governance Statement Corporate Plan 2018-2023 Compliance with Transparency Code All agendas and minutes are available through the website. Scrutiny Committee Terms of Reference Results of employee survey Results of member survey Results of cultural mapping review – See Appendix C Action 10 Transformation Strategy 2017-18 – See Appendix C Action 10</p>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> ✓ We have a Communications Strategy 2017-19 in place this enables the establishment of communication task and finish groups on an ad-hoc basis when required ✓ There is significant consultation with voluntary, community and faith sector groups via the South Ribble VCFS Network, Neighbourhood Forums and through Partnerships ✓ South Ribble Partnership's Sustainable Community Strategy was refreshed in April 2017 and a new action plan developed for 2017/18 – extensive consultation was carried out with all partners ahead of the refresh. The Strategy is available through South Ribble Partnership website. Council representation on South Ribble 	<p>Communications Strategy 2017-19 Customer Feedback Policy Updated Sustainable Community Strategy My Neighbourhood Plans Schedule of Neighbourhood forum meetings (3 per annum)</p>

	<p>Partnership includes the leader (vice chair) and the Chief Executive. All agenda and minutes are distributed to all partners.</p> <ul style="list-style-type: none"> ✓ Chorley and South Ribble Disability Forum for disabled residents meet quarterly. ✓ Safer Chorley and South Ribble Community Safety Partnership ✓ My Neighbourhoods surveys and My Neighbourhood forums provide opportunities for public involvement, 3 meetings per area are undertaken ✓ Public involvement with any current consultation through website ✓ Collaborative working with a wide range of public sector agencies and businesses to improve outcomes for local people and communities. Key Partnerships support this collaborative working and include; <ul style="list-style-type: none"> • South Ribble Partnership • South Ribble Community Leisure Trust • Central Lancashire health and wellbeing partnership • Lancashire Enterprise Partnership • Preston, South Ribble and Lancashire City Deal • Lancashire County Council <ul style="list-style-type: none"> ✓ In 2017-18 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5 year Corporate Plan for 2018 – 23. 	
<p>Engaging with individual citizens and service users effectively</p>	<ul style="list-style-type: none"> ✓ The council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: public meetings, partnerships, multi-agency working, community and voluntary groups ✓ The council is constantly examining its service delivery arrangements based on feedback in order to achieve best value, Improve customer service and take corrective action as necessary ✓ All council/committee agendas, reports and minutes are openly available and can be viewed through the council's website ✓ The council produces an Annual Report which provides a clear and concise summary of the council's activity over the previous year, so that residents can see where money has been spent and what has been achieved ✓ Customer feedback policy was introduced in 2017 and resident satisfaction measures and proxy measures for customer care have been routinely reported to Scrutiny Committee and Cabinet throughout 2017-18 as part of the quarterly performance report. ✓ There is public involvement with any current consultation through the council website 	<p>LGA Customer Survey Customer Feedback Policy Council website – committee reports and minutes Annual report Quarterly performance reports</p>
<p>C. Good governance means defining outcomes in terms of sustainable economic, social and environmental benefits</p>		
<p>The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>

<p>Defining outcomes</p>	<ul style="list-style-type: none"> ✓ We have a new Corporate Plan 2018-2023 which has been agreed by Council and reflects the council's priorities. The Plan is aimed at maintaining high resident satisfaction with the council and with the services we provide. It is also aimed at ensuring that the council remains financially self-sufficient with a focus on income generation. Regular reporting of progress towards achievement of the 2017-18 Corporate Plan was made to Scrutiny and Cabinet throughout 2017-18. ✓ The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership ✓ The South Ribble Partnership's Sustainable Community Strategy is aligned with countrywide priorities and the council's Corporate Plan. The priorities of partners are also aligned to this ✓ A medium-term financial strategy is in place which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring ✓ Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of procurement – this is backed up by advice from the council's legal and procurement officers ✓ There is an annual review process resulting in a Governance improvement action plan ✓ A cross party improvement reference group has been established ✓ Contracts are in place for our major partnerships covering in particular Waste, Leisure, City Deal, Payroll, Shared Services (with Chorley BC). ✓ Quarterly performance reports are produced and presented to Cabinet and Scrutiny ✓ All identified Internal Audit Management Actions have been implemented 	<p>Corporate Plan 2017-18 Quarterly performance reports Corporate plan 2018-2023 Transformation Strategy 2017-18 Sustainable Community Strategy Medium-Term Financial Strategy CPRs – See Appendix C Action 7 AGS action plan Improvement Reference Group – See Appendix C Action 11 Quarterly Performance Reports</p>
<p>Sustainable Economic, Social and Environmental Benefits</p>	<ul style="list-style-type: none"> ✓ We have a Transformation Strategy 2017-18 in place and are developing a transformation programme that demonstrates our continued commitment to customer centric service improvement and financial savings ✓ The council sets out the factors it has taken into consideration when making decisions in reports which are available on our website ✓ We have in place a Disaster Recovery Plan, an Emergency Plan and a Business Continuity Plan ✓ There is an annual review process resulting in a Governance improvement action plan ✓ We have a Customer Feedback Policy in place and is available to view on our website. This informs our customers of their right to complain and we monitor the number of complaints within the quarterly performance report considered by ELT and members 	<p>Transformation Strategy and transformation programme Business Continuity Plan and Disaster Recovery Plan AGS action plan Customer Feedback Policy Quarterly Performance Reports</p>
<p>D. Good Governance means determining the interventions necessary to optimise the achievement of the intended outcomes</p>		
<p>The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>

<p>Determining interventions</p>	<ul style="list-style-type: none"> ✓ The Council's constitution governs the way we conduct our business and is based on the principles of accountability, transparency, efficiency and openness ✓ The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations ✓ Our delegated decisions are published and are subject to call in ✓ The Monitoring Officer regularly advises on the correct interpretation of the Scheme of Delegation ✓ Scrutiny Committee has a vital role to play in scrutinising and challenging the decisions of cabinet and individual officers ✓ The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern ✓ The establishment of a cross party Improvement Reference Group ✓ Minutes of Council and Committee minutes are published and available on the Council's website wherever possible the Monitoring Officer discourages exempt committee reports ✓ Reports set out alternative courses of action (to what is proposed) in all appropriate circumstances 	<p>Constitution Scheme of delegation, Financial Regulations and CPRs – See Appendix C Actions 2 & 7 Scrutiny Committee Terms of Reference IRG- See Appendix C Action 11 Record of decisions, supporting materials, minutes of meetings are all published on website.</p>
<p>Planning interventions</p>	<ul style="list-style-type: none"> ✓ We have a Corporate Plan 2018-2023 which has been agreed by Council and reflects the council's priorities. The Plan is aimed at maintaining high resident satisfaction with the council and with the services we provide. It is also aimed at ensuring that the council remains financially self-sufficient with a focus on income generation ✓ The council has in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities (in 2017-18 against the 2017-18 Corporate Plan) and this is being reviewed for 2018-19 to align with the new Corporate Plan for 2018-2023.. Reports are compiled quarterly and are submitted to the Leadership Team, Scrutiny Committee and Cabinet. In 2017 the Council invested in a new ICT based projects and management system to enable it to more effectively monitor and manage performance ✓ The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership. ✓ Codes of Conduct and protocols help to ensure effective communication between members and Officers ✓ We have a Communications Strategy 2017-18 in place this enables the establishment of communication task and finish groups on an ad-hoc basis when required 	<p>Corporate Plan 2017-18 Corporate Plan 2018-2023 Quarterly Performance Report Code of Conduct for elected members Code of Conduct for Officers Member / Officer protocol – See Appendix C Action 12 Sustainable Community Strategy Communication Strategy 2017-18</p>
<p>Optimising achievement of intended outcomes</p>	<ul style="list-style-type: none"> ✓ We have a Financial Strategy in place backed up with robust budget monitoring and the MTFs Delivery Plan is monitored by both the Council's programme Board and the Improvement Reference Group (which includes members from the LGA) ✓ Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of procurement – this is backed up by advice from the council's legal and procurement officers ✓ Budget alignment with key priority areas provides capacity and investment 	<p>Medium-term Financial Strategy Contract Procedure Rules and Financial Procedures (Constitution) – See Appendix C Actions 2 & 7</p>

	✓ A new Capital programme and MTFS for 2018-23 is closely aligned to the new Corporate Plan for 2018-23.	
E. Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Developing the organisation's capacity	<ul style="list-style-type: none"> ✓ The Council's Transformation Strategy 2017-18 focuses on building and maintaining leadership and organisational capacity and articulates how we will support staff and members helping them to develop the skills they need for the future. The transformation aims are; <ul style="list-style-type: none"> • To develop and embed an organisational culture that encourages, empowers and recognises ambition and innovation • A highly motivated and flexible workforce • Developing a performance culture • Encouraging and nurturing talent • To reduce the cost of service delivery ✓ The council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met ✓ Members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire ✓ Budget alignment with key priority areas provides capacity and investment. ✓ The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver locally joined up services ✓ Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services ✓ A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and skills whilst delivering efficiency savings ✓ Our values and integrated approach to financial and risk management are key to sustained progress against priorities ✓ The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities ✓ Success in leadership and workforce related governance has been recognised in the achievement of Investors in People 	<p>Transformation Strategy 2017-18 – See Appendix C Actions 5 & 10</p> <p>Strong and effective leadership – See Appendix C Actions 13, 14, 15, 16 & 17</p> <p>Shared Services – See Appendix C Action 4</p> <p>Investors in People</p> <p>Medium-Term Financial Strategy</p> <p>Sustainable Community Strategy</p>

<p>Developing the capability of the organisation's leadership and other individuals</p>	<ul style="list-style-type: none"> ✓ The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives. ✓ The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations. ✓ The Council maintains a Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers. ✓ Protocols ensure that communication between elected members and officers is both effective and appropriate ✓ The section 151 officer is supported in her role by the shared financial services team – this is a service that we share with Chorley Borough Council ✓ The Monitoring Officer is supported by the council's legal services team ✓ The Chief Executive is the Head of Paid Service – she is supported by the Extended Leadership Team (ELT) ✓ Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives ✓ Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. ✓ Good practice standards are annually assessed against the CIPFA statements for the roles of the Chief Finance Officer and the Public Sector Internal Audit Standards ✓ The Transformation Strategy 2017-18 incorporates Member Development & identifies the priority areas for officer development. Monitoring is undertaken by the Extended Leadership Team (ELT) and the Scrutiny Committee. ✓ Staff are consulted on matters through a South Ribble Action Group, CONNECT (Intranet), the Extended Leadership Team. In addition there has been extensive consultation with staff as part of the cultural mapping review. ✓ All employees have an annual performance and development review to ensure that the organisation has a skilled and trained workforce. The performance and development process evaluates skills, performance and application of the council's values and identifies any areas for development. 	<p>Constitution Scheme of delegation, Financial regulations and CPRs – See Appendix C Actions 2 & 7 Codes of Conduct; Member / Officer protocols – See Appendix C Action 12 Shared Services Role of Monitoring Officer as detailed in the constitution Committee membership – See Appendix C Actions 14 & 15 Extended Leadership Team (ELT) – See Appendix C Actions 16 & 17 Compliance with CIPFA statement on the roles of CFO Public Sector Internal Audit Standards Transformation Strategy 2017-18 – See Appendix C Actions 1 & 3 Performance and Development Reviews Cultural Mapping Review - See Appendix C Action 10</p>
<p>F. Good governance means managing risks and performance through robust internal control and strong financial management</p>		
<p>The Council's Commitment to Good Governance</p>	<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>Managing Risk</p>	<ul style="list-style-type: none"> ✓ The Council has a comprehensive Risk Management Framework that outlines the responsibilities for risk ✓ The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility; operationally a Head of Service leads the risk management function and is recognised as the officer champion. Governance, Risk Assessment & Control Evaluation software (GRACE) has been procured which enables continuous risk and control self-assessment by services. Training has been provided to all relevant officers. 	<p>Risk Management Framework Constitution GRACE Corporate Risk Register Fighting Fraud and Corruption Locally – The Local Government Counter</p>

	<ul style="list-style-type: none"> ✓ The Extended Leadership Team (ELT) functions as the corporate risk management group and annually agrees and prioritises the corporate risk register which is aligned with the corporate plan ✓ Legal and Finance review all Committee reports and delegated decisions ✓ A quarterly review of the Corporate Risk Register is reported to both Scrutiny Committee and Cabinet alongside the quarterly performance reports ✓ The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud & Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases. ✓ A Complaints Procedure and a Whistle-Blowing Policy are kept under review, providing the opportunity for the public and employees to raise issues for investigation 	<p>Fraud and Corruption Strategy 2016-2019 – See Appendix C Action 8 Customer Feedback Policy Whistle-Blowing Policy</p>
<p>Managing Performance</p>	<ul style="list-style-type: none"> ✓ The council has in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities. Reports are compiled quarterly and are submitted to the Leadership Team, Scrutiny Committee and Cabinet ✓ We have introduced a projects and performance management system which will be used to monitor and manage the delivery of service plans and all corporate plan projects and for reporting progress to members ✓ The council has a variety of control mechanisms to ensure compliance with legal requirements, public law and Council policy. These include the roles of the Monitoring Officer; the Chief Financial Officer (Section 151); the assurance work undertaken by both External and Internal Audit; and the Council's committee reporting system ✓ The Monitoring Officer is responsible for keeping abreast of all legal requirements and informing relevant officers ✓ The Governance Committee is responsible for reviewing and challenging the adequacy of the council's governance arrangements. It closely monitors progress on control matters including improvement plans, external and internal audit programmes and reports, risk management, budget and financial investment reports 	<p>Quarterly Performance Report Role of Monitoring Officer as detailed in Constitution. Role of S.151 Officer as detailed in Constitution Internal Audit Plan Governance Committee Terms of Reference - See Appendix C Action 6.</p>
<p>Effective overview and scrutiny</p>	<ul style="list-style-type: none"> ✓ Cabinet is supported and challenged by the Scrutiny Committee which plays an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations. The agenda, reports and minutes are publicly available on the Council's website 	<p>Scrutiny Terms of Reference and workplan</p>
<p>Robust Internal Control</p>	<ul style="list-style-type: none"> ✓ The council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes ✓ The Audit Plan is compiled following consultation with Directors and Heads of Service 	<p>Audit Plan, Audit Charter Constitution Anti-fraud and corruption strategy - See Appendix C Action 8</p>

	<ul style="list-style-type: none"> ✓ We have a suite of relevant policies in place – i.e. Whistleblowing policy, Anti-fraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance ✓ The Head of Shared Assurance Services is a member of the Extended Leadership Team and reports directly to Governance Committee and provides an assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control within the Annual Governance Statement (AGS) 	AGS process – See Appendix C Action 6
Managing Data	<ul style="list-style-type: none"> ✓ The council has a suite of policies in place dealing with the issue of data management – safe collection, storage, use and sharing of data ✓ Compliance with the Data Protection Act 1998 ✓ Compliance with the Freedom of Information Act 2000 ✓ Compliance with the Transparency Code 2015 	IT Strategy Information Security Policy Records Management Guidance Compliance with DPA and FOI Acceptable Use Policy – See Appendix C Action 9
Strong Public Financial Management	<ul style="list-style-type: none"> ✓ A medium-term financial strategy is in place which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring ✓ Financial regulations and CPRs are detailed within the constitution ✓ Legal and Finance review all Committee reports and delegated decisions 	Medium-Term Financial Strategy Financial Regs. And CPRs – See Appendix C Actions 2 & 7
G. Good governance means implementing good practices in transparency, reporting and audit to deliver effective accountability		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Implementing good practice in transparency	<ul style="list-style-type: none"> ✓ The Transparency Code has been complied with ✓ The council maintains a user friendly and up to date Website. Information on expenditure, performance and decision making is published and can be accessed quickly and easily. ✓ The Corporate Plan is approved by full Council and communicated via our Website ✓ The Corporate Plan is communicated to employees via Connect and Team Brief ✓ The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble ✓ My Neighbourhood forums are a key opportunity to communicate directly with the local community 	Local Government Transparency Code 2014 Southribble.gov.uk website Southribblepartnership.org.uk website Schedule of Neighbourhood forum meetings (3 per annum)
Implementing good practices in reporting	<ul style="list-style-type: none"> ✓ The Corporate Plan and Annual Report are published on the Council's website and show detailed progress towards its vision and priorities ✓ Annual financial statements are reported and published on the Council's website 	Corporate Plan and Annual report Annual Financial Statement Annual Governance Statement

	<ul style="list-style-type: none"> ✓ Assessment of the Council's governance arrangements and the production and publication of An Annual Governance Statement including an action plan identifying the governance challenges it needs to address in the next financial year. 	
<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> ✓ The Council were subject to a Corporate Peer challenge in March 2017, the findings from which were used in 2017 to inform further improvement work. A re-visit took place in late January and early February. Overall the Peer Review Team found that the Council has made progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this is still in the early stages. Crucially, resident satisfaction and trust in the council remains high and South Ribble continues to be a good place to live with good core council services. There was some evidence that political leadership was improving for example, in developing the vision and corporate plan and improved governance processes. There has been considerable member engagement in developing a new vision and Corporate Plan for the borough and this is well supported across the council. Importantly, the council is now perceived by a number of partners as beginning to be more 'outward focused' which is crucial if ambitions for wider economic growth are to be achieved. The Council remains committed to tackling a number of remaining challenges and continues to work closely with LGA colleagues in the Improvement Reference Group to this end. This Group meets monthly and has meetings scheduled to the end of 2018. ✓ All recommended corrective action by either External or Internal Audit is implemented. Assurance reports are presented to Governance Committee summarising the Council's performance in implementing recommendations. ✓ Assessment of the Council's governance arrangements as part of the AGS process ✓ Public Sector Internal Audit Standards (PSIS) set out the standards for internal audit and have been adopted by the Council. 	<p>Peer review findings and improvement plan and Report from 2018 re-visit. AGS All recommendations are tracked through Internal Audit follow up processes and progress reported to Governance Committee – See Appendix C Action 6. An internal review of compliance with the standards was undertaken in 2017 and reported to Governance Committee.</p>

4. Our Commitment to Excellence

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

The following aspects are highlighted for assurance purposes:

- **MANAGEMENT RESTRUCTURE**

In July 2017 a new Chief Executive commenced work in the council.

Throughout the year 2017/2018 the council had robust management controls in place. The management of the council was carried out by a combination of permanent members of the then Senior Management and Core Managers teams and senior specialist support (please see below). The specific Section 151 Officer responsibilities were carried out by members of the Shared Financial Services Team. In particular we had an interim Section 151 Officer throughout that period and additionally a Deputy Section 151 officer from July onwards.

However, it was widely recognised that there was a need for a fundamental management restructure. There were a number of reasons for this. There is a strong growth agenda that the council needs to be able to deliver on as effectively as possible. Further a change in the cultural ethos of the council is also considered to be desirable. A restructure as an enabler of the transformation agenda was another factor. The need for a management restructure was shared by the Peer Review Team when they visited the Council in March 2017.

Various reports were taken to Full Council for approval. Full Council required more information and clarification about those elements of the proposed restructure that related to the Section 151 and Monitoring Officer roles. Eventually though (at its meeting on the 21st of March 2018) Full Council approved those elements.

Some appointments have now been made to this new structure namely:

- Director of Planning and Property
- Director of Neighbourhoods and Development
- Assistant Director of Neighbourhoods
- Assistant Director of Scrutiny and Democratic Services

The intention is to appoint to a number of other posts within the near future.

Our previous arrangements with a Senior Management Team have been replaced with a larger Extended Leadership Team (ELT) which is the main officer decision making body for the council and a smaller strategic Leadership team which takes an overview prior to items coming before ELT.

- **INTERIM MANAGEMENT ARRANGEMENTS**

- 1. Specialist Support**

As is referred to above the council has now agreed a new management structure. It is fair to say though that the year of 2017/2018 was a period of transition. In this period of change it was necessary to call upon senior specialist support.

We have had an officer in place for the last 12 months providing senior specialist support for developing and driving forward with the new Corporate Plan. She also was actively involved in the improvement work following the Peer Review and developing a more robust approach to project and performance management.

Up until December 2017 we also had an officer in place providing senior specialist support in the governance area. One of her key responsibilities was to lead the work relating to the updating of our Constitution.

We also have had senior specialist support in the field of business transformation and developing key strategic projects. These projects have including working on our health, wellbeing and leisure campus project and our Investment Strategy.

We also have had senior specialist support in the field of organisational development. She is the key officer for the development of the “South Ribble Way” – the development of a new, blended, and more agile way of working.

- 2. Temporary appointments**

More recently (end of March 2018) we have appointed on a temporary basis a Deputy Chief Executive (Resources and Transformation). She will fulfil the section 151 officer role until there is an appointment to the Director of Finance and Assurance role.

- **GENERAL TRANSFORMATION AGENDA**

The Council had an ambitious Transformation Strategy in place during this period. More work to develop this further in line with the Corporate Plan will take place during the next 12 months.

The focus is on building and maintaining leadership and organisational capacity. The strategy articulates how we will support staff and members helping them to develop the skills they need for the future.

The transformation aims are:

- To develop and embed an organizational culture that encourages, empowers and recognises ambition and innovation
- A highly motivated and flexible workforce
- Developing a performance culture
- Encouraging and nurturing talent
- To reduce the cost of service delivery

- **LATEST PEER REVIEW ASSESSMENT**

On the 31st of January and 1st of February 2018 an LGA Corporate Peer Challenge follow up visit took place – the original Peer Review challenge had taken place in March 2017.

Overall the Peer Team found that the Council has made progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this is still in the early stages. Crucially, resident satisfaction and trust in the council remains high and South Ribble continues to be a good place to live with good core council services.

There was some evidence that political leadership was improving for example, in developing the vision and corporate plan and improved governance processes. There has been considerable member engagement in developing a new vision and Corporate Plan for the borough and this is well supported across the council. Importantly, the council is now perceived by a number of partners as beginning to be more ‘outward focused’ which is crucial if ambitions for wider economic growth are to be achieved.

The Council remains committed to tackling a number of remaining challenges and continues to work closely with LGA colleagues in the **Improvement Reference Group** to this end. This Group meets monthly and has meetings scheduled to the end of 2018.

- **PROGRESS AGAINST ACTION PLAN 2017/2018**

In Appendix B to this report is set out a detailed record of the progress we have made against last year's Action Plan. Although this plan was highly ambitious nevertheless we have made great progress against it. Of 41 individual actions 34 have been completed in full whilst good progress has been made against the remainder.

- **CULTURAL MAPPING**

South Ribble BC and North West Employers have worked together to establish a cultural baseline, that is an understanding of where the organisation is now and how it can build on existing initiatives and be purposeful in developing its culture and engaging the workforce into the future. This piece delivered a quantitative baseline score for where the Council is as at March 2018, and tells the story around where the organisation has been and where it is now structured around our ambitions to transition from a transactional to a transformational, innovative and inspirational place.

- **CORPORATE PLAN**

The Council hasn't reviewed its corporate priorities for many years, and in 2017-18 wanted to ensure full stakeholder engagement in developing a new vision and priorities for the next 5-years.

Work on this started in February 2017, with the first comprehensive residents' survey the Council had undertaken for many years. Over the summer of 2017, elected members, partners and businesses were also engaged in the development of priorities and the outcome of this work was used by the Cabinet to develop a new Vision and priorities and a new Corporate Plan for the next 5-years. The draft vision and priorities were shared with the wider council membership in November 2017 and the outcome of this further engagement was used to finalise a new corporate plan.

Residents, businesses and partners were consulted on the draft plan during January and it was considered by the Council's Scrutiny Committee on 8th February, the Cabinet on 14th February and submitted to Full Council for approval on 28th February alongside a new Medium-Term Financial Strategy for the same period.

- **PERFORMANCE MANAGEMENT**

In 2017-18, the Council developed a more robust approach to managing performance with the introduction of a suite of KPIs in a performance scorecard reported to Leadership Team and members on a quarterly basis. This also incorporated progress reports against corporate plan projects and an overview of risk.

The Council also procured a new ICT based project and performance management system (InPhase) for the more effective and robust monitoring and management of performance data and this is in the process of being rolled out across the organisation.

A new suite of KPIs aligned to the new Corporate Plan is being rolled out for 2018-19. These will be reported quarterly to ELT and members in accordance with the Council's performance management framework.

Performance of corporate projects has been managed by the Council's Officer led Programme Board, which meets monthly and is chaired by the Chief Executive. A new project management framework linked to the new InPhase system is under development and will be rolled out early in 2018-19. The Programme Board's approach to working has accordingly recently been reviewed to align with the new framework. In 2018-19, all corporate projects have a designated Senior Responsible Officer (SRO) and Project Manager and Programme Board will consist of all SROs and will be chaired by a Deputy Chief Executive. The new InPhase system will be used to report progress to the Board.

- **FURTHER ASSURANCE**

Strong Internal Audit and Risk Management disciplines are embedded and the Shared Assurance Service maintains excellent working relationships with Senior Management, the Governance Committee and the Council's External Auditors to provide an integrated approach to the provision of assurance within the Council. The Internal Audit Service has recently undertaken a peer review by the Audit Managers of 2 Lancashire authorities and this determined that the Service was fully compliant with the Public Sector Internal Auditing Standards.

The Public Sector Internal Audit Standards also require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and overall progress is reported to the Governance Committee. No Internal Audit reports with a limited assurance controls assurance rating were issued during 2017/18.

Risk Management – the Council’s arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system. Extensive officer training was supplemented by Member Learning Hours covering the Corporate Risk Register and the revised Risk Management Framework which was approved by the Governance Committee in April.

Governance – a range of actions have been taken during 2017/18 to strengthen the Council’s governance arrangements (see Section 5 below). The Annual Governance Statement Action Plan shown at Appendix C includes details of actions to further strengthen Council’s governance arrangements. The 2018 AGS has been produced following a rigorous assessment process, both internal and external and it is therefore the opinion of the Head of Shared Assurance that once the remaining improvement actions are implemented the Council’s system of corporate governance will incorporate the very highest standards of practice.

Section 151 Officer Comments – It is the opinion of the Section 151 Officer that the council’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Everything possible has been done to make our Medium Term Financial Strategy (MTFS) as robust as possible and to ensure there is a clear link between the financial and corporate strategies. It is clearly imperative that the council should monitor performance against the MTFS targets on a regular basis and do everything feasible to ensure full delivery and implementation, in particular the delivery of efficiencies. This is monitored closely through the regular monitoring reports that are reported to Cabinet and on a monthly basis by budget holders. The council’s capital programme has been set to reflect the council’s ambitions set out in the corporate plan and incorporates new developments including the Health and Wellbeing campus and a Property Investment Strategy. The funding has been aligned in such a way as to facilitate successful delivery of key projects and programmes.

Members play an active role in promoting and strengthening our governance and risk management arrangements. This is demonstrated particularly by the Governance, Standards and Scrutiny Committees and the Shared Services Joint Committee.

The Governance Committee has enhanced member oversight and scrutiny of the Council’s business controls. The committee is supported by Extended Leadership Team and both contribute to the continuous improvement and strengthening of the governance environment. In 2017/18 the committee has received regular reports on governance, finance and risk. Of particular note it is continuing to carry out a major review of our Constitution. In addition Governance Committee has, amongst other things, considered reports on:

- Investment Property Strategy
- Member Officer Protocol
- Minutes Protocol
- Confidentiality Arrangements
- Counter Fraud and Corruption Strategy
- Social Media Protocol
- Corporate Risk Register

- Budget Management
- Treasury Management Activity
- The work of Internal Audit
- The work of External Audit
- The Capital programme
- City Deal
- Local Code of Governance update

The Joint Committee monitors service performance of the Shared Assurance and Finance Partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships. In 2017/18 the committee monitored the continuous improvement plans that are aimed at strengthening the financial management and assurance arrangements for both councils.

In 2017/18 the Standards Committee continued to promote high ethical standards. Standards Committee now has a higher profile and it has met on a regular basis. Of particular note is that we reviewed our Hearing and Investigation Procedure for dealing with complaints. As part of this process we have introduced a new practice whereby the Monitoring Officer now has the ability to refer complex or sensitive complaints to an Initial assessment hearing Panel of three members. We have used this process in a small number of cases throughout the year and it has worked well. Other work carried out by the Standards Committee has included:

- Finalising work on a social media protocol
- Considering an annual report on Standards and its subsequent referral to Full Council
- Considering confidentiality arrangements
- Updating the protocol on the Independent Person (in part to reflect that we now have two Independent Persons)
- Responding to important consultation on the Disqualification criteria for Councillors and a Review of the Ethical (Standards) arrangements in place in local government

The Scrutiny Committee continues to provide a high degree of challenge and holds a central role in monitoring Council performance through quarterly progress reports of the corporate plan. Scrutiny has held individual Cabinet Members to account for their portfolio and monitored performance of the Council's key partnerships. Topics have included safeguarding, the future use of Worden Hall, senior management re-structure, licensing function and corporate planning. The Scrutiny Committee has carried in-depth reviews of staff morale as part of the Council's South Ribble Way organisational development programme and plans for the commercialisation of the Business & Conference Centre (formerly the Banqueting Suite). There was one call-in of a Cabinet decision during the year around dog control orders, which made recommendations for improved consultation and decision-making processes. The Committee also monitored progress with the Council's corporate improvement plan.

The Council has been recognised as an Investor in People for some twelve years, achieving Gold status in March 2015. We are in the process of seeking re-accreditation.

The Commission for Local Administration in England (the Ombudsman) deals with complaints from members of the public about the Council. They look into a complaint once the complainant has exhausted a council's internal complaints procedure. If the Ombudsman finds that a council has dealt with a particular individual in an inappropriate way then it may make a finding of maladministration against a council. Generally speaking the council does not have a high volume of Ombudsman complaints to deal with. In the year 1 April 2017 to 31st of March 2018 council records show that there were 10 complaints in respect of which decisions were made (one of these complaints had been made in the previous 12 month period but was only resolved in the 2017/2018 period). In 4 of these cases the Ombudsman chose not to investigate. In 3 of these cases the complaint was referred back to the council as the council's internal complaints process had not been exhausted. In 2 of these cases there was a finding of no fault. In one case (relating to Council Tax) there was a finding of fault – this resulted in an apology and the payment of compensation of £200.

The Council has appropriate policy and arrangements in place for governing how it uses its powers under the Regulation of Investigatory Powers Act 2000. During the period 31st of March 2017 to 1st of April 2018 there was no necessity to make use of these powers.

One of the challenges of the year has been preparing for the imminent introduction of the General Data Protection Regulation (GDPR). This constitutes a major update of data protection legislation. Considerable work has been carried out to ensure maximum readiness for when the new rules come into force on the 25th of May.

Despite such challenging times the Council is committed to continuous improvement of its governance arrangements and to the delivery of excellent customer service and to this end the Standards Committee and the role of the Monitoring Officer has been enhanced by the appointment of an additional Independent Person who supports the work of the Monitoring Officer and the Committee.

5. Enhancing our Governance Arrangements

The following actions emanating from the 2017 Annual Governance Statement (see Appendix B) have now been fully implemented:

- **Customer Care/Complaints** – a review of access channels and CRM solution has been undertaken and a Customer Feedback Strategy has been implemented;
- **Transparency** – a review of compliance with the Transparency Act 2014 has been undertaken and areas of non-compliance have been actioned;
- **Member and Officer Development** – the diagnostic undertaken by the Centre for Public Scrutiny and the LGA Corporate Peer Challenge has informed a programme of support for members. The Transformation Strategy addresses more general member training and development. A

programme of training has been provided for members of the Licensing Committee;

- **Ethical Governance** – a Member / Officer relations protocol has been developed and implemented;
- **Management Structure** – a new Chief Executive has been appointed and a new senior management structure approved by Council;
- **Our People** – an employee survey has been undertaken and the results have been used to inform the development of the Transformation Strategy;
- **Strong and Effective Political Leadership** - a cross party Improvement Reference Group has been established, this group meets monthly and has meetings scheduled until the end of 2018;
- **Strong and Effective Managerial Leadership** – workshops for officers on working in a challenging political environment have been held and a Leadership Development Programme has been developed and is to be delivered as part of the Transformational Strategy;
- **New Borough and Council Vision and priorities and new Corporate Plan for 2018-21** – new Corporate Plan for 2018-21 has been approved;
- **MTFS to be delivered** – budget and implementation plan has been monitored by the Council’s Programme Board and the Improvement Reference Group, monitoring and reporting arrangements are operational;
- **Business Transformation targets in MTFS achieved** – a Transformation Strategy has been approved and a Transformation Programme developed and resources to deliver identified, all projects have commenced.

The remaining actions are all in progress and have therefore been carried forward to the 2018 Annual Governance Statement Action Plan (see Appendix C).

An up to date evaluation of the Council’s corporate governance framework has also recently been undertaken and the following reviews have identified further actions to improve the Council’s corporate governance arrangements (also shown at the Appendix C).

- Assessment against the revised Local Code of Governance;
- Completion of Management Assurance Statements by all senior managers;
- Review of compliance with the CIPFA standards for the Chief Financial Officer and the Head of Internal Audit;
- Emerging national issues identified in the Grant Thornton update reports;
- LGA Corporate Peer Challenge revisit;
- External review of compliance with Public Sector Internal Audit Standards.

6. Conclusion

The council is fully committed to ensuring that its governance arrangements are and continue to be as robust as possible. As part of that process the council will monitor implementation of all actions set out in our Action Plan.

.....

Leader of the Council

.....

Chief Executive

Date:

On behalf of the Members and Senior Officers of South Ribble Borough Council.

GLOSSARY

Annual Audit Letter	An External Audit report presented to Council and containing the findings of the Audit Commission's work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Control Environment System of Internal Control	Comprises the organisation's policies, procedures and operations in place to : Establish and monitor the achievement of the organisation's priorities; Identify, assess and manage the risks to achieving the organisation's objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation's assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	In 2017 this involved the following officers: Chief Executive; Section 151 Officer; Monitoring Officer; Head of Shared Assurance; Corporate Governance Manager; Corporate Improvement Manager.
ELT	Extended Leadership Team
SOLACE	Society of Local Authority Chief Executives

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2017

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2018	Status
1. Member & Officer Development	To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	Training has been provided as follows: <ul style="list-style-type: none"> - 1-2-1 budget holder sessions - New Cabinet Portfolio Holder for Finance. - Cross Party Budget Working Group established to raise awareness of the budget process and the budget challenges going forward. 	Complete
		Budget member learning hours are being set up for all members to attend	C/FWD to 2018
2. Customer Care	To update the Customer Charter to incorporate all channels of communication and to review target response timescales.	Review of existing access channels & external review of CRM solution including market analysis of current CRM market.	Complete
		Promotion of channel shift and impact evaluation completed.	Complete
3. Customer Complaints	To implement an electronic complaint reporting system.	New Customer Feedback Strategy has been approved.	Complete
		Implementation complete.	Complete
4. Transparency	To ensure full compliance with the revised requirements of the Transparency Code.	A review of compliance has been carried out.	Complete
		A couple of areas of improvement were identified and have been completed	Complete
5. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	Both Member and Officer Working Groups have been established to review the Constitution.	Complete
		Work to review the Constitution including the Financial Regulations is on-going.	C/FWD to 2018

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2018	Status
6. Member & Officer Development	Member and officer training and development be re-prioritised and extended to include training on roles and responsibilities, council structure, governance arrangements and constitution. The clear distinction between the Cabinet, quasi-judicial and other committees such as licensing is to be emphasised.	The diagnostic undertaken by the Centre for Public Scrutiny and the recent LGA Corporate Peer Challenge has informed a programme of support for members and the development of a new Member and Officer Protocol which was approved at Full Council in March 2018. Details of member support are shown in the Council's new Improvement Plan. The new Transformation Strategy approved by Cabinet on 27 th July includes a number of actions to address more general member training and development. A programme of training has been provided for members of the Licensing Committee.	Complete
7. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Terms of Reference have been reviewed and work programmes are in place. Lead officers have been identified for each of these committees.	Complete
		Further training for members and officers is to be identified and undertaken.	C/FWD to 2018
8. Ethical Governance	A Member / Officer relations protocol is developed and political awareness training is provided to Members and Officers.	Political awareness workshops for officers were held in July. A consultant was appointed by the LGA to work with officers and members to develop a member / officer protocol.	Complete
		A number of focus groups with members and officers to inform this were held in October before the protocol was taken through the formal governance route for approval / formal adoption.	Complete
9. Group Leaders	The political group leaders' work together to stabilise and strengthen the Council's political leadership.	The actions in the new Improvement Plan developed to address the recommendations of the recent LGA Corporate Peer Challenge addressed this.	Complete
10. Ethical Governance	That the conduct of the five Members of Cabinet involved in taking unconstitutional decisions be referred to the Monitoring Officer for formal consideration as to whether any	Referral to Standards Committee complete – and process has now been completed	Complete

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2018	Status
	breach of the members Code of Conduct has taken place.		
11. Management Structure	The senior management structure is reviewed as a matter of urgency to ensure it is fit for purpose and that senior managers have the necessary skills, qualifications and experience to undertake those roles.	Appointment of new Chief Executive was approved by Council.	Complete
		A new senior management structure was approved by Council in November 2017.	Complete
12. Review of Services	The role, capability and capacity of the in-house legal and democratic services team and that of Shared Financial Services be reviewed to ensure they provide proactive advice to Members and Officers to ensure compliance with the constitution and governance frameworks.	Review of Democratic Services has been completed and recommendations have been implemented. A new Committee management system was procured and went live in September 2017.	Complete
		<p>This will be implemented alongside the review of the Council's structure and review of shared services.</p> <p>Review of Legal Services will be addressed as part of the review of the council's organisational structure.</p> <p>A review of Shared Financial Services is currently being planned by Chorley Borough Council.</p>	C/FWD to 2018
13. Review of Disciplinary Matters	A review of the way in which the Council has dealt with the disciplinary arrangements be carried out once they are completed.	A review of disciplinary matters conducted by LGA (see IRG Action plan).	Complete
		HR policies are to be reviewed as a key action in the new Transformation Strategy approved by the Cabinet on 27 th July 2017. These policies will be reviewed as shared services are rolled out.	C/FWD to 2018
14. Our People	The Council's Our People Plan be completely refreshed to support our employees and improve employee morale	An employee survey has been undertaken and the results have been used to inform the development of a new Transformation Strategy which was approved by Cabinet on 27 th July and which has superseded the Our People Plan.	Complete

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2018	Status
15. Strong and effective political leadership	Undertake Staff and member survey and delivery of the MTFS work programme (i.e. all decisions made on target), outcomes of member 360 degree appraisal	Cross party Improvement Reference Group with external membership has been in place since May 2017 and has meetings scheduled to the end of 2018. Externally facilitated workshops for all members to share the Cabinet's vision and to inform the development of the new Corporate Plan took place in July and November 2017. Chief Exec. is working with LGA Labour Peer and Leader of the opposition to develop more effective working relationships with the Opposition. Cabinet has made effective use of cross party working on key strategic issues.	Complete
		Externally facilitated workshops with the leading political group, the opposition group, Cabinet and Cabinet/SMT took place in 2017.	Complete
		Scrutiny Committee developed a work programme for more involvement on key strategic issues.	Complete
		Member survey undertaken in September 2017.	Complete
		A desktop review of alternative models for Governance Committee has been completed and will be considered by the Improvement Reference Group at its meeting in May 2018.	C/FWD to 2018
16. Strong and effective managerial leadership	Undertake Staff and member survey: outcomes of managers' 360 degree appraisals	Two workshops for officers on working in a challenging political environment were held in 2017.	Complete
		SMT/Core Managers' Away days (on-going). Develop a Leadership Development Programme for senior and middle managers (to be delivered as part of the Council's new Transformation Strategy). SMT Away Days, SMT Work Programme, review arrangements for joint working between SMT and Core Managers (on-going).	Complete
17. New Borough and Council Vision and priorities and new Corporate Plan for 2018-21	Members and Staff to understand and own the vision and priorities and to understand how they contribute to success.	Cabinet to propose new council Vision for consultation with other members and other stakeholders (completed).	Complete
		Key words of the Peer Review Team to be built into the Council's values and culture (to be developed as part of the Transformation Strategy action plan approved by the Cabinet in July).	Complete

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2018	Status
18. MTFS to be delivered	MTFS targets to be achieved	17-18 budget and 17-18 implementation plan was monitored by the Council's Programme Board and the Improvement Reference Group.	Complete
		Monitoring and reporting arrangements operational	Complete
19. Business transformation targets in MTFS achieved	Savings and income generation targets to be achieved	Transformation Strategy approved by Cabinet in July.	Complete
		Transformation Programme developed and resources to deliver identified (on-going). All projects started.	Complete
20. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	Governance Committee Constitutional Task Group to review CPRs	Complete
		Amend CPRs to contain instructions for whenever there is a change in responsible officer mid-contract	Complete
		Introduce an electronic CPR waiver process including authorisation by S151 Officer and Principal Procurement Officer Communicate agreed changes to CPRs to relevant officers and members	C/FWD to 2018
		Internal Audit to review compliance with CPRs in future AGS reviews	Complete

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018

Themes	Recommended Improvements	Proposed Actions	Source
1. Member & Officer Development	To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	A review of core finance activities are in place and an approach will be developed in the first quarter of the year. From this, training will be designed and developed and specifically tailored to meet specific needs, i.e. general budget and finance overview, budget monitoring etc. A programme of work will be communicated to staff and members. Member learning hours will also be used to provide training on specific issues as they arise during the year.	B/FWD from 2017
2. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	The review of the constitution will be finalised and will incorporate new financial regulations that support the new organisation structure.	B/FWD from 2017
3. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Further training for members and officers is to be identified and undertaken.	B/FWD from 2017
4. Review of Services	The role, capability and capacity of the in-house legal and democratic services team and that of Shared Financial Services be reviewed to ensure they provide proactive advice to Members and Officers to ensure compliance with the constitution and governance frameworks.	A review of the shared service arrangement will be conducted during the 2018/19 financial year.	B/FWD from 2017 / Peer Review re-visit
5. Review of HR Policies	Undertake a review of the HR policies.	HR policies are to be reviewed as a key action in the new Transformation Strategy approved by the Cabinet on 27 th July 2017. These policies will be reviewed as shared services are rolled out.	B/FWD from 2017
6. Strong and effective political leadership	Review alternative models for Governance Committee.	Discuss outcome of the desktop review at the meeting of the Improvement Reference Group in May 2017 and develop an action plan to complete the review and to implement the recommendations.	B/FWD from 2017 / Peer Review re-visit

7. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	Introduce an electronic CPR waiver process including authorisation by S151 Officer and Principal Procurement Officer Communicate agreed changes to CPRs to relevant officers and members	B/FWD from 2017
		Implement a simple central corporate contract management system to help prevent and mitigate the risk of lost contract documents, missed review and notice deadlines, loss of knowledge and information due to staff changes etc.	Spend Analysis
		ELT include provision on their agenda plan for a quarterly review of (1) the Procurement Plan referencing a forward look of not less than 12 months (2) the Contracts Transparency register.	Spend Analysis
		ELT review / implement a list of Authorised Officers including the extent of their delegated authority and applicable financial thresholds and ensure that this is appropriately communicated to the officers concerned as required by CPR 5.1	Spend Analysis
8. Fraud	Increased fraud awareness.	Fraud awareness training to be delivered to all relevant officers using MILO e-learning modules.	Service Assurance Statements
9. Data Management	Compliance with General Data Protection Regulations (GDPR)	Compliance delivery action plan in place, to be overseen by programme board and report into inphase.	Corp Assess
10. Communication	To improve internal communication and clarity with staff about the vision and next steps for transformation	This will be addressed as part of our new Transformation and Organisational Strategy	Peer Review revisit & Corp. Assess
11. Strong and effective political leadership	To renew the focus of and commitment to the Improvement Reference Group (IRG)	Review the way the IRG works to maximise the impact of the collective expertise of the Group	Peer Review revisit & Corp. Assess
12. Strong and effective political leadership	To resolve the ongoing political tensions. For example through robust implementation of the new officer/member protocol.	Protocol to be signed by all members and relevant officers. Impact of the protocol to be monitored by ELT through the quarterly performance report Joint Cabinet / Shadow Cabinet meetings to be held quarterly to review impact of the Protocol Member development programme to be developed and implemented.	Peer Review revisit

13. Strong and effective leadership	Align political and officer processes to ensure decisions are implemented with no last minute changes	IRG to jointly develop an agreed approach to how much and when information is shared between political groups to ensure that all members have the information they need to make decisions in a timely way	Peer Review re-visit
14. Strong and effective leadership	Support and develop the new Cabinet to be appointed in May 2018	The development and training needs of the new Cabinet to be identified and delivered on	Chief Executive
15. Strong and effective leadership	Greater support to the shadow Cabinet	Shadow Cabinet to be provided with briefings on all Cabinet reports (once published)	Chief Executive
16. Management Structure	Implement the new senior management structure	Fully implement the management structure approved by Full Council.	Peer Review re-visit
17. Leadership development	Develop the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas	To develop a leadership development programme for the senior management team to ensure that senior managers have the necessary skills to take forward the transformation agendas	Peer Review re-visit

REPORT TO	ON
Governance Committee	29 May 2018



September 2017

TITLE	REPORT OF
Review of Constitution Part 2P Finance, Contracts and Legal Matters – (formerly Article 15)	Interim Monitoring Officer

1. PURPOSE OF THE REPORT

- 1.1 At their meeting on the 1ST February 2017, the Governance Committee resolved to review the Council's Constitution.
- 1.2 This particular part of the Constitution (formerly Article 15) was considered by the Governance Committee Working Group at its meeting on the 23rd of April.

2. RECOMMENDATIONS

2.1 That Governance Committee consider and approve the draft Part 2P – Finance, Contracts and Legal Matters (formerly Article 15) at Appendix B prior to submission to full Council for their final approval.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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4. BACKGROUND TO THE REPORT

4.1 All Councils are required to have a written Constitution which sets out the Council's internal governance arrangements, approved procedures and protocols. As part of the Corporate Governance Action Plan 2016/17 Members of the Governance Committee agreed to carry out a thorough review of the Constitution in order to ensure that the Constitution is as clear as possible, completely up to date and fit for purpose.

4.2 Members agreed to adopt the following “House Style” to ensure the Constitution was an easily accessible document:

- Use of plain english
- Clarity of expression
- Consistency of terminology
- Streamlining and simplification of sections
- Improvement of interactive links to allow ease of access within the document itself.

4.3 The existing Article 15 – Finance, Contracts and Legal Matters is set out at Appendix A.

4.4 The amended Article 15 – Finance , Contracts and Legal Matters (renumbered as Part 2P to ensure consistency with the overall numbering of the October 2017 published version of the Constitution), is set out at Appendix B.

4.5 The purpose of this part of the Constitution is to explain how contracts entered into by the Council need to be documented and signed dependent on their value. The review has been light touch, this Part of the Constitution is essentially robust and fit for purpose. The proposed changes are set out in paragraph 5 below.

5.0 Part 2P Finance, Contracts and Legal Matters

5.1 The amended Part 2P Finance, Contracts and Legal Matters, at Appendix B includes the following key changes:

Paragraph	Content	Justification
General Paragraph numbers are now 1 through to 5, replacing 15.01 through to 15. 05.	Paragraph numbers are now 1 through to 5, replacing 15.01 through to 15.05.	Simplify numbering
Paragraph 4	<p>Paragraph 4 Authentication of Documents</p> <p>The second subparagraph has been amended to read as follows:</p> <p>“Any contract entered into on behalf of the Council in the course of the discharge of an executive function shall be made in writing. Where the value does not exceed £20,000 (calculated in accordance with the Contract Procedure Rules set out in Part 4H of this constitution) this can be the purchase Order. Any contract exceeding £20,000 (calculated in accordance with the Contract Procedure Rules set out in Part 4H of this constitution) must either be signed by at least two appropriate officers of the Council or made under the common seal of the Council attested by at least one officer.”</p>	The original wording did not require contracts under £20,000 in value to be in writing, The new wording clarifies that all contracts must be in writing and clarifies that for contracts under £20,000 in value, this can be a purchase order which is referred to in the Contract Procedure Rules at Part 4H of the Constitution.

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

6.2 Comments of the Monitoring Officer

Every Council is required to have a written Constitution which is regularly reviewed and kept up to date.

Other implications:	
▶ Risk	There are no specific risk implications arising from this report
▶ Equality & Diversity	There are no specific equality implications arising from this report
▶ HR & Organisational Development	There are no specific HR implications arising from this report
▶ Property & Asset Management	There are no specific Property or asset management implications arising from this report
▶ ICT / Technology	There are no specific ICT implications arising from this report

7. BACKGROUND PAPERS

None

David Whelan
Monitoring Officer

Report Author:	Telephone:	Date:
David Whelan	01772 625247	24 April 2018

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Appendix A Article 15 – Finance, Contracts and Legal Matters

15.01 Financial management

The management of the Council's financial affairs shall be conducted in accordance with the Financial Regulations set out in Part 4G of this constitution.

15.02 Contracts

Every contract made by the Council shall comply with the Contract Procedure Rules set out in Part 4H of this constitution.

15.03 Legal proceedings

The Council's most senior legally qualified officer available is authorised to participate in any legal proceedings to give effect to decisions of the Council and where considered action is necessary to protect the Council's interests.

15.04 Authentication of documents

Subject to the provisions for substitutes in the Scheme of Delegation to Officers, where any document is necessary in relation to any legal procedure or proceedings on behalf of the Council, it shall be signed by the Chief Executive or, in her/his absence, the Council's most senior legally qualified officer available, unless any enactment otherwise authorises or requires, or the Council has given requisite authority to some other person.

Any contract with a value exceeding £20,000 (calculated in accordance with the Contract Procedure Rules) entered into on behalf of the local authority in the course of the discharge of an executive function shall be made in writing. Such contracts must either be signed by at least two appropriate officers of the authority or made under the common seal of the Council attested by at least one officer.

15.05 Common Seal of the Council

The Common Seal of the Council shall be kept in a safe place in the custody of the Council's most senior legally qualified officer. A decision of the Council, or of any part of it, shall be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal shall be affixed to those documents which, in the opinion of the Council's most senior legally qualified officer available, should be sealed. The affixing of the Common Seal shall be attested by the Council's most senior legally qualified officer available.

Appendix B Part 2P – Finance, Contracts and Legal Matters

1. Financial management

The management of the Council's financial affairs shall be conducted in accordance with the Financial Regulations set out in Part 4G of this constitution.

2. Contracts

Every contract made by the Council shall comply with the Contract Procedure Rules set out in Part 4H of this constitution.

3. Legal proceedings

The Council's most senior legally qualified officer available is authorised to participate in any legal proceedings to give effect to decisions of the Council and where considered action is necessary to protect the Council's interests.

4. Authentication of documents

Subject to the provisions for substitutes in the Scheme of Delegation to Officers, where any document is necessary in relation to any legal procedure or proceedings on behalf of the Council, it shall be signed by the Chief Executive or, in her/his absence, the Council's most senior legally qualified officer available, unless any enactment otherwise authorises or requires, or the Council has given requisite authority to some other person.

Any contract entered into on behalf of the Council in the course of the discharge of an executive function shall be made in writing. Where the value does not exceed £20,000 (calculated in accordance with the Contract Procedure Rules set out in Part 4H of this constitution) this can be the purchase Order. Any contract exceeding £20,000 (calculated in accordance with the Contract Procedure Rules set out in Part 4H of this constitution) must either be signed by at least two appropriate officers of the Council or made under the common seal of the Council attested by at least one officer.

5. Common Seal of the Council

The Common Seal of the Council shall be kept in a safe place in the custody of the Council's most senior legally qualified officer. A decision of the Council, or of any part of it, shall be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal shall be affixed to those documents which, in the opinion of the Council's most senior legally qualified officer available, should be sealed. The affixing of the Common Seal shall be attested by the Council's most senior legally qualified officer available.

REPORT TO	ON
Governance Committee	29 May 2018



September 2017

TITLE	REPORT OF
Review of Constitution Part 2Q –Review and Revision of the Constitution (formerly Article 16)	Interim Monitoring Officer

1. PURPOSE OF THE REPORT

- 1.1 At their meeting on the 1ST February 2017, the Governance Committee resolved to review the Council's Constitution.
- 1.2 The Governance Committee Working Group considered this part (formerly Article 16) of the Constitution at their meeting on the 23rd of April.

2. RECOMMENDATIONS

2.1 That Governance Committee consider and approve the draft Part 2Q – Review and Revision of the Constitution (formerly Article 16) at Appendix B prior to submission to full Council for their final approval.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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4. BACKGROUND TO THE REPORT

4.1 All Councils are required to have a written Constitution which sets out the Council's internal governance arrangements, approved procedures and protocols. As part of the Corporate Governance Action Plan 2016/17 Members of the Governance Committee agreed to carry out a thorough review of the Constitution in order to ensure that the Constitution is as clear as possible, completely up to date and fit for purpose.

4.2 Members agreed to adopt the following “House Style” to ensure the Constitution was an easily accessible document:

- Use of plain english
- Clarity of expression
- Consistency of terminology
- Streamlining and simplification of sections
- Improvement of interactive links to allow ease of access within the document itself.

4.3 The existing Article 16 – Review and Revision of the Constitution is set out at Appendix A.

4.4 The amended Article 16 – Review and Revision of the Constitution (renumbered as Part 2Q) to ensure consistency with the overall numbering of the October 2017 published version of the Constitution), is set out at Appendix B.

4.5 The purpose of this part of the Constitution is to explain the rules relating to the review of the Constitution – whose responsibility is it and how will we proceed in practice. The proposed changes are set out in paragraph 5 below.

4.6 Some minor changes to the new draft Part 2Q have been made since the Working Group meeting. These are shown as tracked changes. These changes are designed to address concerns raised by members at the Working Group meeting.

5.0 Part 2Q Review and Revision of the Constitution

5.1 The amended Part 2Q Review and Revision of the Constitution at Appendix B includes the following key changes:

Paragraph	Content	Justification
General Paragraph numbers are now 1 through to 4, replacing 16.01 through to 16. 04.	Paragraph numbers are now 1 through to 4, replacing 16.01 through to 16. 03	Simplify numbering
Paragraph 1	<p>Paragraph 1 Maintaining the Constitution</p> <p>New Paragraph 1 inserted as follows:</p> <p>“The Monitoring Officer has responsibility to maintain an up-to-date version of this Constitution, incorporating all alterations and amendments approved by Full Council, and to ensure that it is available to Councillors, staff and the public”.</p>	This paragraph records the responsibility of the Monitoring Officer to maintain an up to date version of the Constitution.
Paragraph 2	<p>Paragraph 2 Duty to Monitor and review the Constitution</p> <p>Paragraph 2 has been amended to read as follows :</p> <p>“The Monitoring Officer shall monitor and review the operation of the constitution to ensure that</p>	<p>The Monitoring Officer should have a duty to maintain and review.</p> <p>Paragraph 2 now identifies the aims and principles he</p>

	<p>the following aims and principles of the constitution are given full effect:</p> <ul style="list-style-type: none"> • The constitution assists the Council to provide clear leadership to the community and in working in partnership with citizens, businesses and other organisations; • The constitution supports the active involvement of citizens in the process of local authority decision-making; • The constitution help Councillors represent their constituents more effectively; • The constitution enables decisions to be taken efficiently and effectively; • The constitution create a powerful and effective means of holding decision makers to public account; • The constitution ensures that no one will review or scrutinise a decision in which they were directly involved; • The constitution ensures that those responsible for decision making are clearly identifiable to local people and that they explain the reasons for decisions; and • The constitution assists the delivery of quality services to all sections of the community; and • The constitution provide a framework which promotes the Council's priorities set out in its Corporate Plan." 	<p>should have regard to</p>
<p>Paragraph 3</p>	<p>1. Paragraph 3 Protocol for monitoring and review of the constitution</p> <p>A key role for the Monitoring Officer is to be aware of the strengths and weaknesses of the constitution adopted by the Council, and to make recommendations for ways in which it could be amended in order better to achieve any one or more of the aims and purposes referred to in paragraph 2 above :</p>	<p>In order to ensure consistency with Paragraph 2, the Monitoring Officer is responsible for monitoring and reviewing the Constitution.</p>

	<p>In undertaking this task the Monitoring Officer, amongst other things, may:</p> <ol style="list-style-type: none"> 1. observe meetings of different parts of the member and officer structure; 2. undertake an audit of a sample of decisions; 3. record and analyse issues raised with him/her by members, officers, the public and other relevant stakeholders; and 4. compare practices in this authority with those in other comparable authorities, or national examples of best practice. 	
Paragraph 4	There is an amendment to para 4(a) as Cabinet are not involved in the review of the Constitution	Update and clarification

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

6.2 Comments of the Monitoring Officer

Every Council is required to have a written Constitution which is regularly reviewed and kept up to date.

<p>Other implications:</p> <ul style="list-style-type: none"> ▶ Risk ▶ Equality & Diversity ▶ HR & Organisational Development ▶ Property & Asset Management ▶ ICT / Technology 	<p>There are no specific risk implications arising from this report</p> <p>There are no specific equality implications arising from this report</p> <p>There are no specific HR implications arising from this report</p> <p>There are no specific Property or asset management implications arising from this report</p> <p>There are no specific ICT implications arising from this report</p>
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7. BACKGROUND PAPERS

None

**David Whelan
Monitoring Officer**

Report Author:	Telephone:	Date:
David Whelan	01772 625247	24 April 2018

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Appendix A Article 16 – Review and Revision of the Constitution

16.01 Duty to monitor and review the constitution

The Monitoring Officer shall monitor and review the operation of the constitution to ensure that the aims and principles of the constitution are given full effect.

16.02 Protocol for monitoring and review of the constitution by the Monitoring Officer.

A key role for the Monitoring Officer is to be aware of the strengths and weaknesses of the constitution adopted by the Council, and to make recommendations for ways in which it could be amended in order better to achieve the purposes set out in [Article 1](#). In undertaking this task the **Monitoring Officer**, amongst other things, may:

1. observe meetings of different parts of the member and officer structure;
2. undertake an audit of a sample of decisions;
3. record and analyse issues raised with him/her by members, officers, the public and other relevant stakeholders; and
4. compare practices in this authority with those in other comparable authorities, or national examples of best practice.

16.03 Changes to the constitution

(a) **Approval.** The Governance Committee has a responsibility to maintain an overview of the constitution but only full Council can approve changes to it. Changes should only be made further to a report from the Monitoring Officer. Unless, in the opinion of the Chief Executive or Monitoring Officer, it is not appropriate, all such reports from the Monitoring Officer shall be considered by the Cabinet prior to approval being sought from full Council.

(b) **Change within a Mayoral form of executive.** Unless the change relates only to the operation of the Scrutiny Committee, any resolution of the full Council to approve a change will have no effect without the written consent of the Mayor.

(c) **Change from a Mayoral form of executive to another form of executive or to alternative arrangements, or from alternative arrangements to a Mayoral form of executive.** The Council must take reasonable steps to consult with local electors and other interested persons in the area when drawing up proposals and must hold a binding referendum. Any change shall not take effect until the end of the Mayor's term of office.

(d) **Change from a Leader and Cabinet form of executive to alternative arrangements, or vice versa.** The Council must take reasonable steps to consult with local electors and other interested persons in the area when drawing up proposals.

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Appendix B Part 2Q - Review and Revision of the Constitution

1. Maintaining the Constitution

The ~~Chief Executive and the~~ Monitoring Officer has~~ve~~ responsibility to maintain an up-to-date version of this Constitution, incorporating all alterations and amendments, approved by Full Council and to ensure that it is available to Councillors, staff and the public.

2. Duty to monitor and review the constitution

The ~~Chief Executive and the~~ Monitoring Officer shall monitor and review the operation of the constitution to ensure that the following aims and principles of the constitution are given full effect:

- The constitution assists the Council to provide clear leadership to the community and in working in partnership with citizens, businesses and other organisations;
- The constitution supports the active involvement of citizens in the process of local authority decision-making;
- The constitution help Councillors represent their constituents more effectively;
- The constitution enables decisions to be taken efficiently and effectively;
- The constitution create a powerful and effective means of holding decision makers to public account;
- The constitution ensures that no one will review or scrutinise a decision in which they were directly involved;
- The constitution ensures that those responsible for decision making are clearly identifiable to local people and that they explain the reasons for decisions; and
- The constitution assists the delivery of quality services to all sections of the community; and
- The constitution provide a framework which promotes the Council's priorities set out in its Corporate Plan.

3. Protocol for monitoring and review of the constitution

A key role for the ~~Chief Executive and~~ Monitoring Officer is to be aware of the strengths and weaknesses of the constitution adopted by the Council, and to make recommendations for ways in which it could be amended in order better to achieve any one or more of the aims and purposes referred to in paragraph 2 above:

In undertaking this task ~~the Chief Executive and~~ the Monitoring Officer, amongst other things, may:

1. observe meetings of different parts of the member and officer structure;
2. undertake an audit of a sample of decisions;
3. record and analyse issues raised with him/her by members, officers, the public and other relevant stakeholders; and
4. compare practices in this authority with those in other comparable authorities, or national examples of best practice.

4. Changes to the constitution

(a) **Approval.** The Governance Committee has a responsibility to maintain an overview of the constitution but only full Council can approve changes to it. Changes should only be made further to a report from the Monitoring Officer. ~~Unless, in the opinion of the Chief Executive or Monitoring Officer, it is not appropriate, all such reports from the Monitoring Officer shall be considered by the Cabinet prior to approval being sought from full Council.~~

(b) **Change within a Mayoral form of executive.** Unless the change relates only to the operation of the Scrutiny Committee, any resolution of the full Council to approve a change will have no effect without the written consent of the Mayor.

(c) **Change from a Mayoral form of executive to another form of executive or to alternative arrangements, or from alternative arrangements to a Mayoral form of executive.** The Council must take reasonable steps to consult with local electors and other interested persons in the area when drawing up proposals and must hold a binding referendum. Any change shall not take effect until the end of the Mayor's term of office.

(d) **Change from a Leader and Cabinet form of executive to alternative arrangements, or vice versa.** The Council must take reasonable steps to consult with local electors and other interested persons in the area when drawing up proposals.

REPORT TO	ON
Governance Committee	29 May 2018



September 2017

TITLE	REPORT OF
Review of Constitution Part 2N – Joint Arrangements (formerly Article 12)	Interim Monitoring Officer

1. PURPOSE OF THE REPORT

- 1.1 At their meeting on the 1ST February 2017, the Governance Committee resolved to review the Council's Constitution.
- 1.2 The Governance Committee Working Group considered this Part (formerly Article 12) of the Constitution at their meeting of the 23rd of April 2018.

2. RECOMMENDATIONS

- 2.1 That the Governance Committee consider and approve the draft Part 2N – Joint Arrangements (formerly Article 12) at Appendix B prior to submission to full Council for their final approval.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Excellence and Financial Sustainability	X
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
--------	--

4. BACKGROUND TO THE REPORT

- 4.1 All Councils are required to have a written Constitution which sets out the Council's internal governance arrangements, approved procedures and protocols. As part of the Corporate Governance Action Plan 2016/17 Members of the Governance Committee agreed to carry out a thorough review of the Constitution in order to ensure that the Constitution is as clear as possible, completely up to date and fit for purpose.

4.2 Members agreed to adopt the following “House Style” to ensure the Constitution was an easily accessible document:

- Use of plain english
- Clarity of expression
- Consistency of terminology
- Streamlining and simplification of sections
- Improvement of interactive links to allow ease of access within the document itself.

4.3 The existing Article 12 – Joint Arrangements are set out at Appendix A.

4.4 The amended Article 12 - Joint Arrangements (renumbered as Part 2N to ensure consistency with the overall numbering of the October 2017 published version of the Constitution) are set out at Appendix B.

4.5 The purpose of this part of the Constitution is to recognise that the Council may enter into joint arrangements with an individual and or an organisation in order to promote the economic, social or environmental well-being of the borough. The review has been light touch, this Part of the Constitution is essentially robust and fit for purpose. The proposed changes are set out in paragraph 5 below.

5.0 Part 2N Joint Arrangements

5.1 The amended Part 2N Joint Arrangements at Appendix B now provides as follows have been

Paragraph	Content	Justification
General Paragraph numbers are now 1 through to 6 replacing 12.01 through to 12.05	Paragraph numbers are now 1 through to 6 replacing 12.01 through to 12.05	Simplify numbering
New Paragraph 1	<p>1. Introduction</p> <p>Local authorities can establish joint working arrangements with other local authorities, people or organisations. This can happen in a number of different ways. For instance:-</p> <ul style="list-style-type: none"> • Local authorities can agree that one (or more) authority(ies) will exercise functions on behalf of another (or other) authority(ies); • Local authorities can also agree to exercise their functions jointly. This is usually achieved by establishing a joint committee of Members 	New paragraph which explains the background and provides an introduction to this Part of the Constitution

	<p>from all of the participating authorities to manage the functions in question. The participating authorities all then delegate the necessary powers to the joint committee who will make decisions on behalf of them all. This may involve using the officers of one or more of them to deliver services for them all, or jointly entering into contracts with third parties to deliver services for them all.</p> <p>Local authorities (either alone or with other local authorities) can also do any or all of the following to promote the economic, social or environmental well-being of their area(s):</p> <p>(a) enter into arrangements or agreements with any person or body</p> <p>(b) co-operate with, or facilitate or co-ordinate the activities of, any person or body</p> <p>(c) exercise on behalf of that person or body any functions of that person or body</p>	
<p>Paragraph 3(e)</p>	<p>(e) Full Council shall be responsible for appointments to the Shared Services Committee and the political balance requirements shall apply.</p>	<p>New paragraph which clarifies that Full Council retain responsibility for appointments to the Shared Services Committee</p>

6.1 Comments of the Statutory Finance Officer

There are no financial implications arising directly from this report.

6.2 Comments of the Monitoring Officer

Every Council is required to have a written Constitution which is regularly reviewed and kept up to date.

Other implications:	
▶ Risk	There are no specific risk implications arising from this report
▶ Equality & Diversity	There are no specific equality implications arising from this report
▶ HR & Organisational Development	There are no specific HR implications arising from this report
▶ Property & Asset Management	There are no specific Property or asset management implications arising from this report
▶ ICT / Technology	There are no specific ICT implications arising from this report

7. BACKGROUND PAPERS

None

David Whelan
Monitoring Officer

Report Author:	Telephone:	Date:
David Whelan	01772 625247	24 April 2018

Appendix A

Article 12 – Joint Arrangements

12.01 Arrangements to promote well being

In order to promote the economic, social or environmental well-being of its area, the Council or the Cabinet, as applicable, may:

- (a) enter into arrangements or agreements with any person or body;
- (b) co-operate with, or facilitate or co-ordinate the activities of, any person or body; and
- (c) exercise on behalf of that person or body any functions of that person or body.

12.02 Joint arrangements

(a) The Council may establish joint arrangements with one or more local authorities and/or their Cabinets to exercise functions which are not functions of the Cabinet in any of the participating authorities, or advise the Council. Such arrangements may involve the appointment of a joint committee with these other local authorities.

(b) The Cabinet may establish joint arrangements with one or more local authorities to exercise functions which are Cabinet functions. Such arrangements may involve the appointment of joint committees with these other local authorities.

(c) Except as set out below, the Cabinet may only appoint Cabinet members to a joint committee and those members need not reflect the political composition of the local authority as a whole.

(d) The Cabinet may appoint members to a joint committee from outside the Cabinet in the following circumstances:

- the joint committee has functions for only part of the area of the authority, and that area is smaller than two-fifths of the authority by area or population. In such cases, the Cabinet may appoint to the joint committee any councillor who is a member for a ward which is wholly or partly contained within the area;
- the joint committee is between a county council and a single district council and relates to functions of the Cabinet of the county council. In such cases, the Cabinet of the county council may appoint to the joint committee any councillor who is a member for an electoral division which is wholly or partly contained within the area.

In both of these cases the political balance requirements need not apply to such appointments.

12.03 Access to information

(a) The Access to Information Procedure Rules in [Part 4C](#) of this constitution should apply to joint arrangements.

(b) If all the members of a joint committee are members of the Cabinet in each of the participating authorities then its access to information regime is the same as that applied to the Cabinet.

(c) If the joint committee contains members who are not on the Cabinet of any participating authority then the access to information rules in Part VA of the Local Government Act 1972 will apply.

12.04 Delegation to and from other local authorities

- (a) The Council may delegate non-Cabinet functions to another local authority or, in certain circumstances, the Cabinet of another local authority.
- (b) The Cabinet may delegate Cabinet functions to another local authority or the Cabinet of another local authority in certain circumstances.
- (c) The decision whether or not to accept such a delegation from another local authority shall be reserved to the Council meeting.

12.05 Contracting out

The Council may contract out to another body or organisation functions which may be exercised by an officer and which are subject to an order under section 70 of the Deregulation and Contracting Out Act 1994, or under contracting arrangements where the contractor acts as the Council's agent under usual contracting principles, provided there is no delegation of the Council's discretionary decision making.

Appendix B

Part 2N – Joint Arrangements

1. Introduction

Local authorities can establish joint working arrangements with other local authorities, people or organisations. This can happen in a number of different ways. For instance:-

- Local authorities can agree that one (or more) authority(ies) will exercise functions on behalf of another (or other) authority(ies);
- Local authorities can also agree to exercise their functions jointly. This is usually achieved by establishing a joint committee of Members from all of the participating authorities to manage the functions in question. The participating authorities all then delegate the necessary powers to the joint committee who will make decisions on behalf of them all. This may involve using the officers of one or more of them to deliver services for them all, or jointly entering into contracts with third parties to deliver services for them all.

Local authorities (either alone or with other local authorities) can also do any or all of the following to promote the economic, social or environmental well-being of their area(s):

- (a) enter into arrangements or agreements with any person or body
- (b) co-operate with, or facilitate or co-ordinate the activities of, any person or body
- (c) exercise on behalf of that person or body any functions of that person or body

2. Arrangements to promote well being

In order to promote the economic, social or environmental well-being of its area, the Council or the Cabinet, as applicable, may:

- (a) enter into arrangements or agreements with any person or body; and/or
- (b) co-operate with, or facilitate or co-ordinate the activities of, any person or body; and/or
- (c) exercise on behalf of that person or body any functions of that person or body.

3. Joint arrangements

- (a) The Council may establish joint arrangements with one or more local authorities and/or their Cabinets to exercise functions which are not executive functions in any of

the participating authorities, or advise the Council. Such arrangements may involve the appointment of a joint committee with these other local authorities.

(b) The Cabinet may establish joint arrangements with one or more local authorities to exercise functions which are Cabinet functions. Such arrangements may involve the appointment of joint committees with these other local authorities.

(c) Except as set out below, the Cabinet may only appoint Cabinet members to a joint committee and those members need not reflect the political composition of the local authority as a whole.

(d) The Cabinet may appoint members to a joint committee from outside the Cabinet in the following circumstances:

- the joint committee has functions for only part of the area of the authority, and that area is smaller than two-fifths of the authority by area or population. In such cases, the Cabinet may appoint to the joint committee any councillor who is a member for a ward which is wholly or partly contained within the area;
- the joint committee is between a county council and a single district council and relates to functions of the Cabinet of the county council. In such cases, the Cabinet of the county council may appoint to the joint committee any councillor who is a member for an electoral division which is wholly or partly contained within the area;

In both of these cases the political balance requirements need not apply to such appointments.

(e) Full Council shall be responsible for appointments to the Shared Services Committee and the political balance requirements shall apply.

4. Access to information

(a) The Access to Information Procedure Rules in [Part 4C](#) of this constitution should apply to joint arrangements.

(b) If all the members of a joint committee are members of the Cabinet in each of the participating authorities then its access to information regime is the same as that applied to the Cabinet.

(c) If the joint committee contains members who are not on the Cabinet of any participating authority then the access to information rules in Part VA of the Local Government Act 1972 will apply.

5. Delegation to and from other local authorities

- (a) The Council may delegate non-Cabinet functions to another local authority or, in certain circumstances, the Cabinet of another local authority.
- (b) The Cabinet may delegate Cabinet functions to another local authority or the Cabinet of another local authority in certain circumstances
- (c) The decision whether or not to accept such a delegation from another local authority shall be reserved to the Council meeting.

6. Contracting out

The Council may contract out to another body or organisation functions:

- which may be exercised by an officer and which are subject to an order under section 70 of the Deregulation and Contracting Out Act 1994; or
- under contracting arrangements where the contractor acts as the Council's agent under usual contracting principles,

provided there is no delegation of the Council's discretionary decision making.

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