

## **GOVERNANCE COMMITTEE**

THURSDAY, 26TH JULY, 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**

Held on 29 May 2018, to be confirmed as a correct record.

**4 Audit Findings Report**

Report of the External Auditor to follow.

**5 Audited Statement of Accounts 17/18 and Letter of Representation**

Report of the Interim Deputy Chief Executive (Resources and Transformation) to follow.

**6 Treasury Management Annual Report 2017/18**

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

**7 Annual Governance Statement**

Report of the Interim Monitoring Officer attached.

(Pages 3 - 10)

(Pages 11 - 36)

(Pages 37 - 74)

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 and Ian Watkinson

The minutes of this meeting will be available on the internet at [www.southribble.gov.uk](http://www.southribble.gov.uk)

Forthcoming Meetings

6.00 pm Thursday, 20 September 2018 - Wheel Room, Civic Centre, West Paddock, Leyland PR25 1DH

**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Tuesday, 29 May 2018

**MEMBERS PRESENT:** Councillors Alan Ogilvie (Chair), Carol Chisholm, Paul Foster, Karen Walton and Ian Watkinson

**OFFICERS:** Heather McManus (Chief Executive), Dave Whelan (Legal Services Manager/Interim Monitoring Officer), Lee Hurst (Principal Systems & Financial Accountant), Jane Blundell (Deputy Section 151 Officer), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor (South Ribble)), Simon Hardman (Grant Thornton PLC) and Dianne Scambler (Governance and Member Services Team Leader)

**OTHER MEMBERS AND OFFICERS:** Councillor Susan Snape (Cabinet Member (Finance))

**PUBLIC:** 0

**1 Welcome**

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

**2 Apologies for absence**

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

**3 Declarations of Interest**

There were no declarations of any interests.

**4 Minutes of the Last Meeting**

RESOLVED: (Unanimously)

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

**5 External Audit - Audit Progress Update**

The External Auditor reported that everything was in place to start the audit of the draft accounts. Meetings would restart with the Finance team next week and they were confident that the final accounts would be ready for the end of the July. The

Grant Thornton core team would consist of Simon Hardman, Mark Heaps and Richard Watkinson, with other members being brought in, as and when required.

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

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

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

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

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

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

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

RESOLVED: (Unanimously)

That the report be noted.

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

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

Following a consultation process, PSAA had published the 2018/19 scale fees for opted-in bodies in March 2018. Due to these pooling arrangements, individual scale fees had been reduced by 23% from the fees applicable in 2017/18. The scale fee is based on the expectation that the Council is able to provide the auditor with complete and materially accurate financial statements, with supporting papers, within

the agree timeframes. In response to the Chair, assurances were given that the finance team fully understood the expectations and that relevant measures were in place.

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

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

RESOLVED: (Unanimously)

That the report be noted.

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

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

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

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

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

RESOLVED: (Unanimously)

That the report be noted.

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

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

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

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

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

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

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

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

Officers also agreed that a breakdown of the capital budgets rephased into 2018/19 (£0.402m), would be circulated to the Committee.

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

RESOLVED: Unanimously

1. That the report and appendices be noted;
2. That the final out-turn position of £0.770m underspend against the original revenue budget of £13,482m and the key variances be noted;
3. That the final out-turn position on the capital budget of £0.597 underspend against and annual budget of £2.774m be noted;

4. That the financing of the capital programme for 2017/18 and approval carry forward of £0.402m of capital re-phasing into 2018/19 as outlined in the report be noted;
5. That the end of year position on reserves as a result of the out-turn position and contributions to and withdrawals from these reserves as detailed within the Core Financial Statements within the report be noted.

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

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

The following statements and notes were presented to the Committee:

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

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

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

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

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

RESOLVED: (Unanimously)

That the report be noted.

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

The Governance Committee received the Internal Audit Annual Report for 2017/18 that summarised the work undertaken by the Internal Audit Service from April 2017 to March 2018 and gave an opinion on the adequacy and effectiveness of the

Council's framework of control, risk management and governance. The report also gave an appraisal of the Internal Audit's performance during the year and summarised the results of an independent peer review of the service that has been undertaken by the Heads of Audit of two Lancashire authorities.

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

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

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

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

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

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

The Chair commented that this was a positive report and thanked officers for their work over the year. The Committee were also informed that Dawn Highton, Principal Auditor was also attending her last Committee meeting after gaining promotion at another authority. Members thanked her for all her help and support over the years and wished her every success in her new role.

RESOLVED: (Unanimously)

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

## **11 Draft Annual Governance Statement**

The Interim Monitoring Officer presented a report on the Council's draft Annual Governance Statement (AGS) for 2018 to provide assurance on the standards of



corporate governance spanning all the Council's priorities and activities. This was a requirement of the Accounts and Audit Regulations 2015. Members were asked to review and comment upon the draft AGS that was appended to the report along with an action plan of recommended improvements and proposed actions for 2018/19.

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

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

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

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

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

RESOLVED: (Unanimously)

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

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

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

RESOLVED: (Unanimously)

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

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

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

RESOLVED: (Unanimously)

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

#### **14 Joint Arrangements**

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

RESOLVED: (Unanimously)

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

Chair

Date

REPORT TO	ON
Governance Committee	26 July 2018



TITLE	REPORT OF
Treasury Management Annual Report 2017/18	Deputy Chief Executive (Resources & Transformation)

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

- 1.1 To present the outturn for Treasury Management activity in financial year 2017/18.
- 1.2 To present Treasury Management activity monitoring information for the quarter to 30 June 2018, together with a commentary on issues relating to the economy and updated interest rate forecasts.

## 2. RECOMMENDATIONS

- 2.1 Members are asked to note the report.

## 3. EXECUTIVE SUMMARY

- 3.1 All investment activity during 2017/18 complied with the strategy approved by council. An average return of 0.49% was achieved, which exceeded the target rate of 0.24% (being the 7-day LIBID plus 15%).
- 3.2 Investments peaked at £45.1m. At year-end, the total excluding accrued interest was £31.6m.
- 3.3 The average rate earned in the first quarter of 2018/19 has increased to 0.63%, though the average sum invested per day is currently lower than the average for 2017/18.
- 3.4 Officers will aim to identify additional counterparties, in particular money market funds and UK banks, as permitted by the approved investment strategy for 2018/19.

## 4. CORPORATE PRIORITIES

- 4.1 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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## 5. BACKGROUND TO THE REPORT

- 5.1 The Treasury Strategy for 2017/18 to 2019/20 was presented to Cabinet on 20 February 2017. The strategy included Prudential Indicators, the Treasury Management Strategy, the Annual Investment Strategy, and the Annual Minimum Revenue Provision (MRP) Policy Statement, all of which were approved by Council on 1 March 2017.
- 5.2 Treasury Management activity monitoring reports were presented to Governance Committee meetings of 13 September 2017 and 31 January 2018.
- 5.3 Revised Prudential and Treasury indicators for 2017/18 were included in the Treasury Strategy 2018/19 to 2022/23, which was approved by Council on 28 February 2018. Where relevant, comparisons with 2017/18 indicators in this outturn report are to those approved most recently.

## 6. TREASURY MANAGEMENT OUTTURN 2017/18

### Capital Expenditure 2017/18

- 6.1 The following table compares actual capital expenditure in 2017/18 with the original and revised estimates for the year.

<b>Table 1 - Capital Expenditure 2017/18</b>	<b>2017/18 Estimate £000</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>	<b>2017/18 Variance £000</b>
2017/18 Capital Programme	4,404	3,004	2,177	(827)
Additional finance lease liability	124	124	257	133
<b>Capital Expenditure Total</b>	<b>4,528</b>	<b>3,128</b>	<b>2,434</b>	<b>(694)</b>

The finance lease liability is in respect of expenditure incurred through the leisure contract.

### Capital Financing 2017/18

- 6.2 Table 2 shows the estimated and actual financing of the capital expenditure in Table 1. Net financing represents the expenditure which is financed by an increase in the Capital Financing Requirement. This consists of the increase in the finance lease liability (£0.257m) and prudential borrowing (£0.056m).

<b>Table 2 - Capital Financing 2017/18</b>	<b>2017/18 Estimate £000</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>	<b>2017/18 Variance £000</b>
Capital Receipts	500	228	174	(54)
Grants & Contributions	1,268	1,659	1,279	(380)
Revenue and Reserves	1,666	832	668	(164)
<b>Net financing needed for year</b>	<b>1,094</b>	<b>409</b>	<b>313</b>	<b>(96)</b>

The Council's borrowing need (the Capital Financing Requirement - CFR)

- 6.3 The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, and therefore its underlying borrowing need. Any capital expenditure in Table 1 above which has not been paid for immediately will increase the CFR.
- 6.4 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP), which is a statutory annual charge, broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used in the provision of services.
- 6.5 The CFR includes any other long-term liabilities (in particular finance leases). These increase the CFR, but include a borrowing facility by the lease provider and so the council is not required to borrow separately for these schemes.
- 6.6 The outturn CFR compared to estimated figures is shown in Table 3:

<b>Table 3 - Capital Financing Requirement 2017/18</b>	<b>2017/18 Estimate £000</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>	<b>2017/18 Variance £000</b>
Opening CFR	5,146	5,302	5,302	0
Net financing need for the year (Table 2)	1,094	409	313	(96)
Less MRP/VRP	(1,018)	(989)	(989)	0
<b>Closing CFR</b>	<b>5,222</b>	<b>4,722</b>	<b>4,626</b>	<b>(96)</b>

Ratio of financing costs to net revenue stream

- 6.7 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream (council tax, business rates, and general government grants).

<b>Table 4 - Ratio of Financing Costs to Net Revenue Stream 2017/18</b>	<b>2017/18 Estimate %</b>	<b>2017/18 Actual %</b>	<b>2017/18 Variance %</b>
Ratio	8.36	7.05	-1.31

6.8 The ratio has reduced because financing costs were less than estimated, and the revenue stream was higher than estimated. Interest receivable exceeded the amount estimated when the ratio for the year was calculated, and business rates income (including S31 Grants to finance rates reliefs) exceeded the budgeted income.

#### Core funds and expected investment balances

6.9 The application of resources such as capital receipts and reserves either to finance capital expenditure or to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources, such as asset sales.

6.10 Table 5 shows that investments exceeded the forecast by £1.392m.

<b>Table 5 - Year-End Resources 2017/18</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>	<b>2017/18 Variance £000</b>
Fund balances / reserves	(26,739)	(27,101)	(362)
Capital receipts	(1,856)	(1,932)	(76)
Provisions	(1,200)	(1,700)	(500)
<b>Total core funds</b>	<b>(29,795)</b>	<b>(30,733)</b>	<b>(938)</b>
Working capital*	(4,500)	(4,707)	(207)
Under borrowing (Table 6)	3,973	3,726	(247)
<b>Investments</b>	<b>(30,322)</b>	<b>(31,714)</b>	<b>(1,392)</b>

\*Working capital balances shown are estimated year-end; these may be higher mid-year

#### Portfolio position

6.11 Table 6 shows the actual external debt (the treasury management operations) against the underlying capital borrowing need (the Capital Financing Requirement), highlighting under borrowing of £3.726m as at 31 March 2018.

<b>Table 6 - Portfolio Position 31 March 2018</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>	<b>2017/18 Variance £000</b>
Debt at 1 April	0	0	0
Other long-term liabilities (OLTL)	941	941	0
<b>Total gross debt 1 April</b>	<b>941</b>	<b>941</b>	<b>0</b>
Expected change in Debt	0	0	0
Expected change in OLTL	(192)	(41)	151
<b>Expected change in gross debt</b>	<b>(192)</b>	<b>(41)</b>	<b>151</b>
<b>Gross debt 31 March</b>	<b>749</b>	<b>900</b>	<b>151</b>
Capital Financing Requirement (Table 3)	4,722	4,626	(96)
<b>Under borrowing</b>	<b>3,973</b>	<b>3,726</b>	<b>(247)</b>

6.12 The under borrowing reflects the use of the council's own cash to finance capital expenditure, being a form of internal borrowing, rather than taking external loans from a source such as the Public Works Loan Board. Though there is a loss of interest receivable because the £3.726m cash was not available to invest, the interest that would have been earned would have been a lot lower than the interest payable on the PWLB loans that would have been required to generate the extra cash balance. At present this is the best value use of the council's cash.

#### Operational Boundary

6.13 The council set a revised Operational Boundary of £0.749m for 2017/18. This is the limit beyond which external debt is not normally expected to exceed. This could be set at a similar figure to the CFR if the council expected to borrow at that level, but the ability to fund under-borrowing from other cash resources meant that for 2017/18 it was set at the estimated level of finance lease debt as at 31 March 2018. Table 6 above shows that the actual debt was £0.900m, so this indicator was exceeded by £0.151m.

#### Authorised Limit for external debt

6.14 This is a control on the maximum level of borrowing. It represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

6.15 The revised limit for 2017/18 approved by council was £3.749m, and it was not exceeded.

#### Investment Performance 2017/18

6.16 Income earned by category of investment is shown in Table 7 following:

<b>Table 7 - Investment Performance 2017/18</b>	<b>Average Daily Investment £000</b>	<b>Interest 2017/18 £</b>	<b>Average Rate %</b>
Fixed Term Deposits	21,526	118,961	0.55
Notice Accounts	5,299	35,559	0.67
Call Accounts	1,847	4,912	0.26
Money Market Funds	7,493	19,688	0.27
<b>Total</b>	<b>36,165</b>	<b>179,120</b>	<b>0.49</b>

- 6.17 No use was made of the government's Debt Management Office DMADF account, which though very secure offers a lower rate of interest for short-term deposits than alternatives such as call accounts and money market funds. Term deposits and notice accounts were used for cash which could be invested for longer periods at higher interest rates.
- 6.18 The average rate earned was 0.49%, which is lower than the 0.57% achieved in 2016/17. Unfortunately all investment counterparties offered lower rates of interest than in the previous financial year.
- 6.19 The performance benchmark is the 7-day London Interbank Bid (LIBID) rate, which averaged 0.21% in 2017/18. The performance target is to achieve a return rate 15% greater than LIBID, so the target for 2017/18 was 0.24% and the actual return of 0.49% exceeded the target.
- 6.20 Investments held as at 31 March 2018, excluding accrued interest, are presented in Appendix A. The list of approved investment categories for 2017/18 is presented as Appendix B.
- 6.21 Table 8 summarises the term deposits at year-end by investment counterparty, and compares the value to the approved maximum. All totals were within the maximum approved, and all investments in 2017/18 complied with the approved policy.

<b>Table 8 - Summary of Term Deposits by Counterparty 31 March 2018</b>	<b>Type</b>	<b>Amount 31 March</b>	
		<b>2018 £000</b>	<b>Limit £000</b>
Bank of Scotland	Term	1,000	5,000
Blackpool Council	Term	2,000	5,000
Cherwell District Council	Term	2,000	5,000
Flintshire County Council	Term	2,000	5,000
Goldman Sachs International Bank	Term	3,000	5,000
Helaba	Term	4,000	4,000
Lancashire County Council	Term	5,000	5,000
Thurrock Borough Council	Term	2,000	5,000
<b>Fixed Term Deposits sub total</b>		<b>21,000</b>	



- 6.22 Though approved investment counterparties included all UK banks with suitable creditworthiness, most of the large banks with suitable credit ratings are not on this list. This is because many of them set high minimum deposit values for local authorities, £20m being typical, and this council would not deposit such a value with one counterparty. Unfortunately this restricts the availability of bank counterparties which can be used for term deposits.
- 6.23 The highest value invested during 2017/18 was £45.1m in February 2018. Such sums are achieved temporarily when the council holds cash such as council tax and business rates, collected on behalf of government and other local authorities, which is paid over to other bodies after being invested for a few days.
- 6.24 Council approved a maximum of £5m which could be invested with UK local authorities for greater than 365 days. Approval of this limit was to enable a higher rate of return to be earned on a limited amount of the council's cash, should a local authority make a worthwhile offer. No sums were invested for more than 365 days in 2017/18.

<b>Table 9 - Maximum Principal Sums Invested &gt; 365 Days 2017/18</b>	<b>2017/18 Estimate £000</b>	<b>2017/18 Revised £000</b>	<b>2017/18 Actual £000</b>
UK Government	0	0	0
UK Local Authorities	5,000	5,000	0
UK Banks & Building Societies	0	0	0
Non-UK Banks	0	0	0
<b>Total</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>

## 7. TREASURY MANAGEMENT ACTIVITY MONITORING 2018/19 – QUARTER 1

- 7.1 Investment performance for the quarter to 30 June 2018 is shown in the following table:

<b>Table 10 - Investment Performance 2018/19</b>	<b>Average Daily Investment £000</b>	<b>Interest to 30 June 2018 £</b>	<b>Average Rate %</b>
Fixed Term Deposits	19,967	32,071	0.65
Notice Accounts	8,176	14,767	0.73
Call Accounts	1,331	1,166	0.36
Money Market Funds	6,486	7,677	0.48
<b>Total</b>	<b>35,960</b>	<b>55,681</b>	<b>0.63</b>

- 7.2 At £35.96m, the average daily investment is currently lower than that for 2017/18, but investments tend to peak later in the year, which increases the average. The average rate of interest achieved for each category is higher than in 2017/18, and the overall average rate is currently 0.63%. No use has been made of the DMO's Debt Management Account Deposit Facility. The average 7-day LIBID rate to the end of June was 0.36%, and the target to exceed was therefore 0.41%.

7.3 A list of investments as at 30 June 2018 is presented as Appendix C, and approved counterparties for 2018/19 as Appendix D. The only change in approved counterparties since 2017/18 was the deletion of variable net asset value (VNAV) Enhanced Money Market Funds as an option, but such EMMFs had not been used by the council.

7.4 The term deposits by counterparty as at 30 June 2018 were as follows:

Table 11 - Summary of Term Deposits by Counterparty 30 June 2018	Amount 30 June 2018	Type	Limit	
			£000	£000
Bank of Scotland	1,000	Term	5,000	
Cherwell District Council	2,000	Term	5,000	
Coventry Building Society	2,000	Term	5,000	
Goldman Sachs International Bank	5,000	Term	5,000	
Helaba	4,000	Term	4,000	
<b>Fixed Term Deposits sub total</b>	<b>14,000</b>			

7.5 All investments complied with council policy and were within the approved maximum limits.

7.6 So far this year, fewer UK local authorities have been willing to take term deposits. When deposits with local authorities have matured, it has sometimes proven necessary to reinvest the cash with other counterparties. If this trend continues, it could become difficult to avoid use of the DMO's DMADF, which pays a lower rate of interest than usually offered by other counterparties for term deposits. The latest indicative interest rates available for the DMADF show that a maximum of 0.45% can be earned on deposits for six months, compared to the average of 0.65% achieved in the year to date for term deposits.

7.7 Officers will aim to avoid use of the DMADF by using additional counterparties permitted by the approved investment strategy. Currently the council uses three money market funds – BlackRock, Federated and Standard Life – but other suitable MMFs are available. Brokers will be consulted to identify suitable UK banks not currently used which will take deposits of £5m or less, as permitted by the approved strategy.

7.8 Use of existing and new MMFs will need to take account of the European Union MMF reforms which will become effective from 21 January 2019. Our treasury advisors, Link Asset Services, will continue to provide advice in respect of the impact of the reforms.

7.9 In Appendix E, Link Asset Services present a detailed economic commentary on developments during the first quarter of 2018/19, provided to them by Capital Economics. Appendix F is Link's detailed commentary on interest rate forecasts. An increase in bank rate to 0.75% is expected before the end of 2018, though the rate is expected to match previous forecasts only during 2021 when it could reach 1.50%.

## 8. CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

8.1 No consultation has been undertaken in preparing this report.

## 9. FINANCIAL IMPLICATIONS

9.1 There are no direct financial implications arising as a result of this report.

## 10. LEGAL IMPLICATIONS

10.1 Presentation of this report is required to comply with the CIPFA Code of Practice on Treasury Management in the Public Services (2017 edition).

## 11. COMMENTS OF THE STATUTORY FINANCE OFFICER

11.1 All financial implications in respect of Treasury Management activity arise as a result of the annual Treasury Strategies for 2017/18 and 2018/19, previously approved by council. This report presents details of actual performance as a result of implementing the approved strategies.

## 12. COMMENTS OF THE MONITORING OFFICER

12.1 Please see the Legal Implication section above.

## 13. OTHER IMPLICATIONS:

<ul style="list-style-type: none"><li>▶ <b>HR &amp; Organisational Development</b></li><li>▶ <b>ICT / Technology</b></li><li>▶ <b>Property &amp; Asset Management</b></li><li>▶ <b>Risk</b></li><li>▶ <b>Equality &amp; Diversity</b></li></ul>	<p>The Treasury Strategy sets limits on investments in order to manage risks.</p>
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## 14. BACKGROUND DOCUMENTS

Treasury Strategy 2017/18 to 2019/20	(Council 1/3/17)
Treasury Management Activity Mid-year Review 2017/18	(Governance Committee 13/9/17)
Treasury Management Activity 2017/18 – update	(Governance Committee 31/1/18)
Treasury Strategy 2018/19 to 2022/23	(Council 28/2/18)

## 15. APPENDICES

Appendix A	List of Investments as at 31 March 2018
Appendix B	Investment Counterparties 2017/18
Appendix C	List of Investments as at 30 June 2018
Appendix D	Investment Counterparties 2018/19
Appendix E	Detailed economic commentary on developments during quarter ended 30/6/18
Appendix F	Detailed commentary on interest rate forecasts

ELT Member's Name: Helen Seechurn  
Job Title: Deputy Chief Executive (Resources & Transformation)

Report Author:	Telephone:	Date:
Michael Jackson Principal Financial Accountant	01257 515490	11/07/18

## List of Investments as at 31 March 2018

Counterparty	Type	Amount £000	Rate %	Date	Maturity
Lancashire County Council	Term	1,000	0.53%	16-May-17	16-May-18
Goldman Sachs International Bank	Term	1,000	0.66%	22-Nov-17	22-May-18
Lancashire County Council	Term	3,000	0.53%	06-Jun-17	05-Jun-18
Blackpool Council	Term	2,000	0.60%	12-Mar-18	12-Jun-18
Flintshire County Council	Term	2,000	0.70%	16-Mar-18	18-Jun-18
Lancashire County Council	Term	1,000	0.55%	28-Jun-17	27-Jun-18
Thurrock Borough Council	Term	2,000	0.50%	29-Sep-17	29-Jun-18
Goldman Sachs International Bank	Term	2,000	0.94%	29-Mar-18	28-Sep-18
Cherwell District Council	Term	2,000	0.65%	19-Feb-18	19-Nov-18
Helaba	Term	2,000	0.64%	06-Dec-17	06-Dec-18
Helaba	Term	2,000	0.60%	14-Dec-17	14-Dec-18
Bank of Scotland	Term	1,000	0.85%	15-Jan-18	15-Jan-19
<b>Fixed Term Deposit sub total</b>		<b>21,000</b>	<b>Listed in Order of Maturity</b>		
Santander UK PLC	180 Day Notice	4,000	0.55%	15-Mar-16	n/a
Bank of Scotland	175 Day Notice	4,000	0.75%	30-Nov-17	n/a
<b>Notice Accounts sub total</b>		<b>8,000</b>			
Barclays Fibca Deposit Account	Call	336	0.35%	On Call	
<b>Call Accounts sub total</b>		<b>336</b>			
Standard Life	MMF	2,000	0.40% (1)	On Call	
Blackrock	MMF	300	0.38% (1)	On Call	
<b>Money Market Funds sub total</b>		<b>2,300</b>			
<b>Total</b>		<b>31,636</b>			

## Notes

(1) MMF rates are variable. This is the calculated average for the year to March

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## Investment Counterparties 2017/18

Category	Institutions	CAS Colour Code	Maximum Period	Limit per Institution
<b>Banks &amp; Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)</b>				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £5m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£5m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£5m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
<b>Money Market Funds</b>				
Money Market Funds (CNAV) **	MMFs of high credit quality - AAA rated		Instant access	£5m per fund
Enhanced Money Market Funds (VNAV)	EMMFs of high credit quality - AAA rated		T+2 or T+3	£3m per fund; £6m in total for this category

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## List of Investments as at 30 June 18

Counterparty	Type	Amount £000	Rate %	Date	Maturity
Goldman Sachs International Bank	Term	2,000	0.94%	29-Mar-18	28-Sep-18
Cherwell District Council	Term	2,000	0.65%	19-Feb-18	19-Nov-18
Goldman Sachs International Bank	Term	2,000	0.68%	25-May-18	26-Nov-18
Helaba	Term	2,000	0.64%	06-Dec-17	06-Dec-18
Helaba	Term	2,000	0.60%	14-Dec-17	14-Dec-18
Goldman Sachs International Bank	Term	1,000	0.82%	15-Jun-18	17-Dec-18
Coventry Building Society	Term	2,000	0.67%	15-Jun-18	17-Dec-18
Bank of Scotland	Term	1,000	0.85%	15-Jan-18	15-Jan-19
<b>Fixed Term Deposit sub total</b>		<b>14,000</b>	<b>Listed in Order of Maturity</b>		
Santander UK PLC	180 Day Notice	5,000	0.70%	15-Mar-16	n/a
Bank of Scotland	175 Day Notice	4,000	0.75%	30-Nov-17	n/a
<b>Notice Accounts sub total</b>		<b>9,000</b>			
Barclays Fibca Deposit Account	Call	3,256	0.35%	On Call	
<b>Call Accounts sub total</b>		<b>3,256</b>			
Federated	MMF	1,000	0.48% (1)	On Call	
Standard Life	MMF	4,900	0.48% (1)	On Call	
Blackrock	MMF	4,900	0.50% (1)	On Call	
<b>Money Market Funds sub total</b>		<b>10,800</b>			
<b>Total</b>		<b>37,056</b>			

## Notes

(1) MMF rates are variable. This is the calculated average for the June quarter

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## Investment Counterparties 2018/19

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
<b>Banks &amp; Building Societies: Call Accounts / Term Deposits / Certificates of Deposit (CDs)</b>				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £5m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£5m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£5m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
<b>Money Market Funds</b>				
Money Market Funds (CNAV) **	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

\*\* Funds used by the council in 2017/18 were BlackRock, Federated, and Standard Life.

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**Detailed economic commentary on developments during quarter ended 30 June 2018**

- **During the quarter ended 30 June 2018:**
  - The economy showed signs of regaining momentum after the slowdown in Q1;
  - Employment growth rose strongly but wage growth softened;
  - Consumer price inflation eased further;
  - The MPC struck a more hawkish tone at its June meeting;
  - Public sector borrowing undershot the Office for Budget Responsibility's (OBR) forecasts;
  - Progress on Brexit negotiations stalled;
  - Equity markets were buffeted by increased global trade tensions.
- **GDP quarter 1 2018.** The Quarterly National Accounts revealed that the economy expanded by an upwardly-revised 0.2% in the first quarter. The adverse weather appears to have played its part, with the construction sector knocking 0.1% off growth. However, the ongoing squeeze on households' real incomes also probably contributed to the softness. Note that household spending grew by just 0.2%. What's more, business investment contracted by 0.4%, after rising by 0.2% in Q4.
- The 0.2% quarterly rise in real **household spending** was the weakest in nearly six years and almost entirely funded by a drop in the savings ratio to its second-lowest on record. Indeed, at 4.2%, it is well below its average of about 8%. This raises concerns about the sustainability of spending growth ahead, particularly if households rebuild savings in response to rising real incomes. However, there are signs that spending growth has picked up in Q2. Retail sales volumes expanded by more than 1% on the month in both April and May, and consumer confidence has trended upwards this year.
- The Markit/CIPS **all-sector PMI** points to quarterly GDP growth of around 0.4% in Q2 so far, suggesting that the economy has regained some momentum in the second quarter. Meanwhile, the PMI survey doesn't include retail activity which appears to have rebounded in Q2 suggesting that if anything the survey is understating the pickup in GDP growth. Admittedly, the official output data for April is mixed. Construction output grew by only 0.5% in April from the 2.3% drop in March and the run of manufacturing growth appears to have come to an end, with a sharp 1.4% monthly drop in April. But note that the dominant services sector output expanded by 0.3% in April, suggesting that the sector got off to a good start in Q2.
- Meanwhile, the **labour market** has continued to show signs of strength. The unemployment rate stood at a multi-decade low, reaching 4.2% in April. Employment growth has also been impressive this year, rising by a quarterly 146,000 in the three months to April and by 1.4% on a year earlier. Such strong gains in employment have been possible thanks to a surge in the number of people joining the workforce. The various measures of hiring intentions and

surveys of employment that we follow suggest that this growth could be maintained, at least in the short term.

- Headline total **pay growth** has softened over the past few months, dropping from 2.8% in January to 2.5% in April. But this is largely due to base effects and weakness in bonus payments. Indeed, headline regular pay growth has picked up to 2.8% in April, up from 2.4% in Q4 and surveys of pay settlement point to growth of around 3.0% by the end of the year. As a result, nominal earnings growth has now overtaken inflation for the first time in twelve months.
- Indeed, **CPI inflation** has fallen back from 3.0% in Q4 to 2.4% in May, as the inflationary impact of sterling's past depreciation has eased. However, rising oil prices over the past few months, from around \$67pb at the start of April to a 3-year high of \$80 in May in response to concerns about supply disruptions, has put upward pressure on firms' costs. Indeed, producer input price inflation has risen from a low of 3.9% in February to 9.2% in May and producers have managed to pass on some of the rise in costs to consumers, with annual output price inflation edging up from 2.5% in April to 2.9%. What's more, the utility price hikes announced by the 'Big 6' energy firms will probably cause inflation to tick up temporarily in the coming months. But we still think that inflation will fall back this year given the offsetting downward pressure from easing food price and imported goods inflation.
- A run of weak economic data, alongside comments from Governor Carney signalling that the Monetary Policy Committee (MPC) is in no rush to raise rates, saw investors push back their expectations for the next interest rate hike from May to November. Indeed, the **MPC's May meeting** revealed the Committee's desire to wait for confirmation that the slowdown in Q1 was temporary. The *May Inflation Report* also showed that the Bank expects inflation to return to the 2% target at the two-year horizon on the basis of just a 50bp increase in Bank Rate over the next two years.
- However, the **MPC struck a more hawkish tone at the meeting in June**. Three members voted for an immediate rate rise, citing that the benefits of waiting for additional information were limited and that there may be some upside risks to the MPC's *May Inflation Report* forecasts for earnings growth. The minutes also revealed that the Committee placed more weight on the recent rebound in consumer spending and the survey indicators, than the weak production figures for April. The probability of an interest rate hike in August now stands at close to 70% up from around 30% a month ago.
- Elsewhere, the **public finances** continued to undershoot the OBR's forecasts. Public sector net borrowing for 2017/18 came in £19bn below what the OBR predicted in March 2017 and the current budget, (based on day-to-day spending), recorded its first full-year surplus since 2001/02. Borrowing so far in 2018/19 is 25% lower than at this stage last year, largely due to weaker local authority spending growth, and VAT and income tax receipts have risen strongly. While it is still early days and the figures are subject to revisions, the promising start to the year eases the pressure on the Chancellor to find the money to deliver on the Government's promise of an additional £5bn health expenditure by 2020/21. Note that even before the latest improvements, the OBR's forecast predicted that the Chancellor would

have £15bn of headroom in meeting his target for a cyclically-adjusted deficit of 2% of GDP in 2020/21.

- The Government managed to avoid giving Parliament the option to take over the **Brexit negotiations** in the event of a “no-deal Brexit”, but instead proposed an amendment to the EU Withdrawal Bill that gives the decision of how much influence Parliament has, to the Speaker of the House of Commons. Meanwhile, the European Council expressed concern about the lack of progress on the Withdrawal Agreement at the EU summit in June. The EU has dismissed the UK’s proposal for the whole of the UK to remain within the EU’s customs territory. As a result, for the UK government to keep its pledge to avoid any physical infrastructure on the border between the Republic of Ireland and Northern Ireland, and the need for checks on goods crossing the Irish Sea between Northern Ireland and the UK, it would need to “rub out” its red line of leaving the customs union entirely. Given the slow pace of progress on negotiations, the December European Council meeting is now being seen as the most likely date for the Withdrawal Agreement, and terms for the UK’s future relationship with the EU, to be signed off.
- Turning to **financial markets**, increased global trade tensions have buffeted equity markets over the past few months. Indeed, the EU retaliated with reciprocal measures to the US tariffs on imports of steel and aluminium and the US singled out China with import tariffs worth a total of \$250bn. Of the measures already announced, the UK would not be significantly affected, but clearly would be vulnerable in a scenario of a global trade war. The **FTSE** ended the quarter almost 8% higher, slightly outperforming the S&P 500 and other global equity indices, due to the boost from the rise in oil prices at the start of the quarter on equity valuations. The **trade-weighted sterling index** drifted 1% lower over the quarter, largely due to a depreciation against the dollar since mid-April, as relative interest rate expectations moved in favour of the US. **10-year gilt yields** also dropped by around 10bp, but this masks considerable movements during the quarter. Indeed, yields fell sharply due to a rise in safe haven demand as concerns about the new Italian government surfaced towards the end of May. This was accompanied with a downward revision to investors’ interest rate expectations in the UK.
- Internationally, the **US Federal Reserve** hiked interest for the seventh time in the tightening cycle, taking the Fed funds range to 1.50%-1.75%. The consensus among economists and Fed officials is now for two more 25bp rate hikes in 2018 and a further three 25bp hikes in 2019. On the activity front, the US economy lost some pace in the first quarter, but this appears to be mirrored across most developed economies. Indeed, all major European economies slowed and the **Eurozone** expanded by just 0.4% on the quarter, down from 0.7% in Q4 due to a large drag from net trade. Meanwhile, the **ECB’s decision** to end its asset purchases by December was accompanied with a dovish stance on interest rates, noting that they are unlikely to raise rates until late 2019.

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## Detailed commentary on interest rate forecasts

Our treasury management advisers, Link Asset Services, provided us with the following update to their interest rate forecasts.

### 1. Quarterly Inflation Report and Monetary Policy Committee (MPC) meeting 10.5.18

- *We have pushed back our first Bank Rate increase from May 2018 to November 2018.*
- *While photographers implore a sitter to watch the birdie, Mark Carney has often repeated the phrase of 'watch the data'!*

As late as mid-February, financial markets were viewing a May Bank Rate increase as a near dead certainty. We would refer clients back to our previous newsflash on 13.2.18 where we explained the forward guidance issued by the MPC after its previous meeting which reinforced the view that Bank Rate was likely to go up faster than markets were expecting. This guidance placed much emphasis on a tight labour market with the following characteristics: -

- remarkably low unemployment which was continuing on a trend of falling
- healthy growth of rising employment and levels of employment out of the population of available workers
- increasing levels of vacancies
- MPC concerns on rising wage inflation in this tight labour market
- low productivity limiting GDP non-inflationary growth to only 1.5% p.a.
- inflation still being slightly above the target of 2% during the new 18-24 month time horizon

Very little has changed since then apart from inflation now being projected to hit the 2% target in two years' time.

BUT..... what has changed the whole outlook and the latest MPC decision to leave Bank Rate unchanged, is the sharp downturn of economic data since mid-February which has resulted in a first estimate, (on 40% of the data), of a mere 0.1% GDP growth in quarter 1. Not only this, but over this quarter, the PMI indicators and actual production figures have come in weaker than expected. Admittedly, some of this was due to adverse weather in the quarter but the ONS commented that its 0.1% statistic was little affected by the weather. Admittedly, the optimists will point to the fact that we had a sharp dip in quarter 1 of 2017, so maybe we should not get too down about what might be just another blip this year. They could also raise concerns around US economic sanctions on Iran and developments in Venezuela leading to a sharp increase in the price of oil which could feed inflationary pressures into the economy; this, in turn, could then put upward pressure on Bank Rate. However, we can only summarise by saying that it is good sense for the MPC to hold fire on their promise on increasing Bank Rate until they see that economic growth recovers during the year and that the quarter 1 downturn proves only to be a temporary dip.

We therefore have to say that while our previous forecast included bringing forward the next increase in Bank Rate from November to May 2018, we have now had to reverse this back again in the light of how the economic data has transpired during quarter 1. The MPC may well now want to see two quarters of a return to reasonably strong growth before tightening

monetary policy so we feel that an increase in Bank Rate as soon as August 2018 is unlikely. We would also point out that the MPC is probably unlikely to change Bank Rate at its February 2019 quarterly review meeting as this would be just ahead of the March deadline for withdrawal from the EU. So the MPC will be trying to juggle the tension between this and needing to take some action to deliver on its promise on increasing Bank Rate, which, therefore, puts the spotlight on the November 2018 meeting. A further factor will be that all central banks now have one eye on the need to normalise monetary policy so they can have tools to use if there was another recession. It is also notable that the MPC announced it will do a review on reversing quantitative easing.

As not much fundamentally has changed apart from recent weak data, we would refer clients back to our previous newsflash for the further comments we made then.

## **2. LINK ASSET SERVICES' FORECASTS**

We are therefore forecasting a first Bank Rate increase in November 2018, to be followed by further increases in September 2019, June 2020 and November 2020.

We can only forecast given the current situation and have to flag up that there is a wide spread of potential outcomes during this three year forecast period and a likelihood of heightened volatility as events actually unfold. Our own forecasts are based on a central assumption that the UK will make progress with concluding a satisfactory outcome over the Brexit negotiations with the EU by March 2019, although the UK finance sector is likely to be an area of particular concern and difficulty.

Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

### **Gilt yields and PWLB rates**

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

We have pointed out consistently that the Fed. Rate is likely to go up more quickly and more strongly than Bank Rate in the UK. While there is normally a high degree of correlation between the bond yields of both countries, we would expect to see an eventual growing decoupling of yields between the two i.e. we would expect US yields to go up faster than UK yields. Over the period since the start of 2017, there has been a strong correlation between increases in treasury, gilt and bund yields for periods longer than 5 years, although the rate of increase in the UK and Germany has been somewhat lower than in the US. We will need to monitor this area and any resulting effect on PWLB rates.

### **The balance of risks to economic growth and Bank Rate increases**

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Our forecasts are predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations,

especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

We would, as always, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Asset Services Interest Rate View												
	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.60%	0.70%	0.90%	0.90%	0.90%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.70%	0.80%	1.00%	1.00%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	0.80%	0.90%	1.10%	1.10%	1.20%	1.30%	1.40%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	1.90%	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%
10yr PWLB Rate	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%

BANK RATE	now	previously
Q1 2019	0.75%	1.00%
Q1 2020	1.00%	1.25%
Q1 2021	1.50%	1.50%

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below.

PWLB debt	Current borrowing rate as at 11.5.18	Target borrowing rate now (Q2 2018)	Target borrowing rate previous (Q2 2018)
5 year	1.88%	1.90%	2.00%
10 year	2.32%	2.40%	2.50%
25 year	2.71%	2.70%	2.90%
50 year	2.43%	2.40%	2.70%

**Borrowing advice:** although rates have risen from their low points, particularly in periods up to 10 years, longer term rates are still historically low and borrowing should be considered if appropriate to your strategy. We still see value in the 40 years to 50 years range, but note the curve has flattened considerably from 10 years out. Value, however, in the 40-50 years part of the curve may be negated if Bank Rate does not climb to at least 2.5% over the medium term. Accordingly, clients will need to review and assess their risk appetite in terms of any

underlying borrowing requirement they may have, and also project forward their position in respect of cash backed resources.

Any new borrowing should also take into account the continuing cost of carry, the difference between investment earnings and borrowing rates, especially as our forecasts indicate that Bank Rate may rise to only 1.50% by December 2020.

Our suggested budgeted investment earnings rates for investments up to about three months' duration in each financial year for the next seven years are as follows:

Average earnings in each year	Now	Previously
2018/19	0.75%	0.80%
2019/20	1.00%	1.25%
2020/21	1.25%	1.50%
2021/22	1.50%	1.65%
2022/23	1.75%	1.75%
2023/24	2.00%	2.00%
Later years	2.75%	2.75%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is unchanged. Negative, (or positive), developments could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

REPORT TO	ON
Governance Committee	26 July 2018



September 2017

TITLE	REPORT OF
Annual Governance Statement	Interim Monitoring Officer

## 1. PURPOSE OF THE REPORT

1.1 The report presents the council’s 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 The report follows on from the report to Governance Committee on the 29th of May 2018 when Committee considered the draft AGS. At that stage Committee was happy with the contents of the AGS subject to the making of some relatively minor amendments.

1.3 Governance Committee is now asked to approve the amended AGS with a view to it being published with the Statement of Accounts.

## 2. RECOMMENDATIONS

That the Committee considers and approves the council’s Annual Governance Statement.

## 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 earlier report of the 29<sup>th</sup> of May 2018 sets out the full background to this and the processes we have gone through to produce the AGS. The AGS is attached at Appendix A.

4.2 As members are aware the council is required (the Accounts and Audit Regulations 2015) to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts.

4.3 The council's AGS is intended to provide assurance on the standards of corporate governance spanning all the council's priorities and covering all activities.

4.4 The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and sets out future plans to improve and strengthen the governance environment. Statutory regulations state that the document should 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.

## **5. DETAILS AND REASONING**

5.1 At its meeting on the 29<sup>th</sup> of May 2018 Governance committee overall was happy with the contents of the AGS. However, some comments/observations were made and some suggested amendments proposed. Subsequent to the meeting External Audit also suggested that some amendments/additions should be considered. Further some additional updated information has now been incorporated. For your ease of reference the amendments/updates that have been made to the document (since Committee last considered it) are highlighted in purple.

5.2 Moving forward it is a requirement that the AGS statement is signed by the Leader of the Council and the Chief Executive – subject to the approval of Governance Committee this will now be attended to.

5.3 Further the Statement of Accounts will need to incorporate the AGS. Members will see elsewhere on the agenda a report seeking authority to sign off the Statement of Accounts. The letter of representation will also need to be signed – this again is covered by a report elsewhere on the agenda.

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

### **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.

<b>Other implications:</b>	
▶ <b>Risk</b>	The statement and more importantly the underlying process of assessment will enhance our internal control and corporate governance status thus minimising risk
▶ <b>Equality &amp; Diversity</b>	There are no adverse implications for equality issues with this report
▶ <b>HR &amp; Organisational Development</b>	There are no specific HR implications arising from this report
▶ <b>Property &amp; Asset Management</b>	There are no specific Property or asset management implications arising from this report
▶ <b>ICT / Technology</b>	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	9 July 2018

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# 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.<sup>1</sup>

This governance statement explains how we have followed our local code<sup>2</sup> and also met our statutory requirements.<sup>3</sup>

## 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 24<sup>th</sup> 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](http://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

<b>A. Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
<b>The Council's commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>✓ The council has a set of Core Values in place which inform everything we do</li> <li>✓ 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</li> <li>✓ Our Core Values are incorporated into job descriptions for senior managers and embedded into our performance and development process</li> <li>✓ 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</li> <li>✓ Contracts and service specifications for the main partnerships are informed by our values</li> </ul>	<p><b>Local Code of Governance</b>  <b>Transformation Strategy</b>  <b>Corporate Plan</b>  <b>Performance and Development Review process</b>  <b>Suite of policies available through intranet – regularly reviewed, updated.</b>  <b>Member and officer protocol</b></p>
<b>Demonstrating strong commitment to ethical values</b>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ We have a robust Employee Code of Conduct in place</li> <li>✓ 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</li> <li>✓ The Protocol for the Independent Person has been formalised and is included in the Constitution</li> <li>✓ We have strengthened our standards arrangements by appointing a second Independent Person</li> <li>✓ We have an Investigation and Hearing policy which sets out how we deal with complaints against Members – this was updated and strengthened this year</li> <li>✓ We have regular Member learning hours as well as tailored training for members on particular committees</li> <li>✓ 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</li> </ul>	<p><b>Members Code of Conduct</b>  <b>Constitution (Part 5A)</b>  <b>Code of Conduct for employees Constitution (Part 5B)</b>  <b>Standards Committee Terms of Reference.</b>  <b>Independent Person Protocol - Constitution (Part 4J)</b>  <b>Member and officer protocol</b>  <b>Member learning hours – See Appendix C Action 1</b>  <b>Register of interests</b></p>
<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>✓ Appointment of statutory officers including; Head of Paid Service, Monitoring Officer and S.151 Officer who fulfil their responsibilities within legislative and regulatory requirements</li> <li>✓ Compliance with CIPFA's statement on the Role of the Chief Finance Officer in Local Government (2016)</li> <li>✓ We have an induction programme for new Officers and members</li> <li>✓ We have Financial Regulations and Contract Procedure Rules in place</li> <li>✓ Substantial work has been completed on reviewing and updating our Constitution</li> </ul>	<p><b>Constitution</b>  <b>Review of compliance with statement on role of CFO.</b>  <b>Financial Regulations and Contract Procedure Rules – See Appendix C Actions 2 &amp; 7</b></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
<p><b>Ensuring openness</b></p>	<ul style="list-style-type: none"> <li>✓ Our Local Code of Governance, Constitution and Annual Governance Statement show the Council's commitment to openness</li> <li>✓ 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</li> <li>✓ Council and Committee agendas and decisions are available to the public through our website except where confidential matters are being disclosed</li> <li>✓ The culture in the council is that wherever possible all reports should be open to the public; we minimise the number of exempt reports</li> <li>✓ Wherever possible exempt reports are made public following a six month period upon request</li> <li>✓ 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</li> <li>✓ Requirements of the Code of Transparency are being met and in some areas exceeded</li> <li>✓ 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</li> <li>✓ Scrutiny Committee report to every Council meeting – it meets 6 times a year – Scrutiny Committee have clear terms of reference</li> <li>✓ Every two years we have an Employee survey (the last in November 2016) and in 2017, we did a comprehensive survey of all members</li> <li>✓ 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</li> <li>✓ The Transformation Strategy and Transformation Programme, progress is reviewed and reported to Cabinet</li> </ul>	<p><b>Local Code of Governance Constitution Annual Governance Statement Corporate Plan 2018-2023 Compliance with Transparency Code</b> All agendas and minutes are available through the website. <b>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</b></p>
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ There is significant consultation with voluntary, community and faith sector groups via the South Ribble VCFS Network, Neighbourhood Forums and through Partnerships</li> <li>✓ 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</li> </ul>	<p><b>Communications Strategy 2017-19 Customer Feedback Policy Updated Sustainable Community Strategy My Neighbourhood Plans Schedule of Neighbourhood forum meetings (3 per annum)</b></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"> <li>✓ Chorley and South Ribble Disability Forum for disabled residents meet quarterly.</li> <li>✓ Safer Chorley and South Ribble Community Safety Partnership</li> <li>✓ My Neighbourhoods surveys and My Neighbourhood forums provide opportunities for public involvement, 3 meetings per area are undertaken</li> <li>✓ Public involvement with any current consultation through website</li> <li>✓ 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;</li> </ul> <ul style="list-style-type: none"> <li>• <b>South Ribble Partnership</b></li> <li>• <b>South Ribble Community Leisure Trust</b></li> <li>• <b>Central Lancashire health and wellbeing partnership</b></li> <li>• <b>Lancashire Enterprise Partnership</b></li> <li>• <b>Preston, South Ribble and Lancashire City Deal</b></li> <li>• <b>Lancashire County Council</b></li> </ul> <ul style="list-style-type: none"> <li>✓ 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.</li> </ul>	
<p><b>Engaging with individual citizens and service users effectively</b></p>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ 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</li> <li>✓ All council/committee agendas, reports and minutes are openly available and can be viewed through the council's website</li> <li>✓ 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</li> <li>✓ 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.</li> <li>✓ There is public involvement with any current consultation through the council website</li> </ul>	<p><b>LGA Customer Survey</b> <b>Customer Feedback Policy</b> <b>Council website – committee reports and minutes</b> <b>Annual report</b> <b>Quarterly performance reports</b></p>
<p><b>C. Good governance means defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>		
<p><b>The Council's Commitment to Good Governance</b></p>	<p><b>How the Council meets these principles</b></p>	<p><b>Where you can see Governance in action</b></p>

<p><b>Defining outcomes</b></p>	<ul style="list-style-type: none"> <li>✓ 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.</li> <li>✓ 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</li> <li>✓ 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</li> <li>✓ 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</li> <li>✓ 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</li> <li>✓ There is an annual review process resulting in a Governance improvement action plan</li> <li>✓ A cross party improvement reference group has been established</li> <li>✓ Contracts are in place for our major partnerships covering in particular Waste, Leisure, City Deal, Payroll, Shared Services (with Chorley BC).</li> <li>✓ Quarterly performance reports are produced and presented to Cabinet and Scrutiny</li> <li>✓ All identified Internal Audit Management Actions have been implemented</li> </ul>	<p><b>Corporate Plan 2017-18</b> <b>Quarterly performance reports</b> <b>Corporate plan 2018-2023</b> <b>Transformation Strategy 2017-18</b> <b>Sustainable Community Strategy</b> <b>Medium-Term Financial Strategy</b> <b>CPRs – See Appendix C</b> <b>Action 7</b> <b>AGS action plan</b> <b>Improvement Reference Group – See Appendix C</b> <b>Action 11</b> <b>Quarterly Performance Reports</b></p>
<p><b>Sustainable Economic, Social and Environmental Benefits</b></p>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ The council sets out the factors it has taken into consideration when making decisions in reports which are available on our website</li> <li>✓ We have in place a Disaster Recovery Plan, an Emergency Plan and a Business Continuity Plan</li> <li>✓ There is an annual review process resulting in a Governance improvement action plan</li> <li>✓ 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</li> </ul>	<p><b>Transformation Strategy and transformation programme</b> <b>Business Continuity Plan and Disaster Recovery Plan</b> <b>AGS action plan</b> <b>Customer Feedback Policy</b> <b>Quarterly Performance Reports</b></p>
<p><b>D. Good Governance means determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>		
<p><b>The Council's Commitment to Good Governance</b></p>	<p><b>How the Council meets these principles</b></p>	<p><b>Where you can see Governance in action</b></p>

<p><b>Determining interventions</b></p>	<ul style="list-style-type: none"> <li>✓ The Council's constitution governs the way we conduct our business and is based on the principles of accountability, transparency, efficiency and openness</li> <li>✓ The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations</li> <li>✓ Our delegated decisions are published and are subject to call in</li> <li>✓ The Monitoring Officer regularly advises on the correct interpretation of the Scheme of Delegation</li> <li>✓ Scrutiny Committee has a vital role to play in scrutinising and challenging the decisions of cabinet and individual officers</li> <li>✓ The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern</li> <li>✓ The establishment of a cross party Improvement Reference Group</li> <li>✓ Minutes of Council and Committee minutes are published and available on the Council's website wherever possible the Monitoring Officer discourages exempt committee reports</li> <li>✓ Reports set out alternative courses of action (to what is proposed) in all appropriate circumstances</li> </ul>	<p><b>Constitution Scheme of delegation, Financial Regulations and CPRs – See Appendix C Actions 2 &amp; 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.</b></p>
<p><b>Planning interventions</b></p>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ 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</li> <li>✓ 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.</li> <li>✓ Codes of Conduct and protocols help to ensure effective communication between members and Officers</li> <li>✓ 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</li> </ul>	<p><b>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</b></p>
<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>✓ 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)</li> <li>✓ 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</li> <li>✓ Budget alignment with key priority areas provides capacity and investment</li> </ul>	<p><b>Medium-term Financial Strategy Contract Procedure Rules and Financial Procedures (Constitution) – See Appendix C Actions 2 &amp; 7</b></p>



	✓ A new Capital programme and MTFS for 2018-23 is closely aligned to the new Corporate Plan for 2018-23.	
<b>E. Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it</b>		
<b>The Council's Commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<b>Developing the organisation's capacity</b>	<ul style="list-style-type: none"> <li>✓ 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"> <li>• To develop and embed an organisational culture that encourages, empowers and recognises ambition and innovation</li> <li>• A highly motivated and flexible workforce</li> <li>• Developing a performance culture</li> <li>• Encouraging and nurturing talent</li> <li>• To reduce the cost of service delivery</li> </ul> </li> <li>✓ 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</li> <li>✓ Members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire</li> <li>✓ Budget alignment with key priority areas provides capacity and investment.</li> <li>✓ 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</li> <li>✓ Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services</li> <li>✓ A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and skills whilst delivering efficiency savings</li> <li>✓ Our values and integrated approach to financial and risk management are key to sustained progress against priorities</li> <li>✓ 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</li> <li>✓ Success in leadership and workforce related governance has been recognised in the achievement of Investors in People</li> </ul>	<p><b>Transformation Strategy 2017-18 – See Appendix C Actions 5 &amp; 10</b></p> <p><b>Strong and effective leadership – See Appendix C Actions 13, 14, 15, 16 &amp; 17</b></p> <p><b>Shared Services – See Appendix C Action 4</b></p> <p><b>Investors in People</b></p> <p><b>Medium-Term Financial Strategy</b></p> <p><b>Sustainable Community Strategy</b></p>

<p><b>Developing the capability of the organisation's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>✓ The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives.</li> <li>✓ The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations.</li> <li>✓ The Council maintains a Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers.</li> <li>✓ Protocols ensure that communication between elected members and officers is both effective and appropriate</li> <li>✓ 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</li> <li>✓ The Monitoring Officer is supported by the council's legal services team</li> <li>✓ The Chief Executive is the Head of Paid Service – she is supported by the Extended Leadership Team (ELT)</li> <li>✓ Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives</li> <li>✓ Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities.</li> <li>✓ 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</li> <li>✓ The Transformation Strategy 2017-18 incorporates Member Development &amp; identifies the priority areas for officer development. Monitoring is undertaken by the Extended Leadership Team (ELT) and the Scrutiny Committee.</li> <li>✓ 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.</li> <li>✓ 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.</li> </ul>	<p><b>Constitution</b> <b>Scheme of delegation, Financial regulations and CPRs – See Appendix C Actions 2 &amp; 7</b> <b>Codes of Conduct; Member / Officer protocols – See Appendix C Action 12</b> <b>Shared Services</b> <b>Role of Monitoring Officer as detailed in the constitution Committee membership – See Appendix C Actions 14 &amp; 15</b> <b>Extended Leadership Team (ELT) – See Appendix C Actions 16 &amp; 17</b> <b>Compliance with CIPFA statement on the roles of CFO Public Sector Internal Audit Standards</b> <b>Transformation Strategy 2017-18 – See Appendix C Actions 1 &amp; 3</b> <b>Performance and Development Reviews</b> <b>Cultural Mapping Review - See Appendix C Action 10</b></p>
<p><b>F. Good governance means managing risks and performance through robust internal control and strong financial management</b></p>		
<p><b>The Council's Commitment to Good Governance</b></p>	<p><b>How the Council meets these principles</b></p>	<p><b>Where you can see Governance in action</b></p>
<p><b>Managing Risk</b></p>	<ul style="list-style-type: none"> <li>✓ The Council has a comprehensive Risk Management Framework that outlines the responsibilities for risk</li> <li>✓ 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 &amp; 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.</li> </ul>	<p><b>Risk Management Framework</b> <b>Constitution</b> <b>GRACE</b> <b>Corporate Risk Register</b> <b>Fighting Fraud and Corruption Locally – The Local Government Counter</b></p>

	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ Legal and Finance review all Committee reports and delegated decisions</li> <li>✓ A quarterly review of the Corporate Risk Register is reported to both Scrutiny Committee and Cabinet alongside the quarterly performance reports</li> <li>✓ The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud &amp; Corruption Strategy, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases.</li> <li>✓ 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</li> </ul>	<p><b>Fraud and Corruption Strategy 2016-2019 – See Appendix C Action 8</b>  <b>Customer Feedback Policy</b>  <b>Whistle-Blowing Policy</b></p>
<b>Managing Performance</b>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ 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</li> <li>✓ 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</li> <li>✓ The Monitoring Officer is responsible for keeping abreast of all legal requirements and informing relevant officers</li> <li>✓ 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</li> </ul>	<p><b>Quarterly Performance Report</b>  <b>Role of Monitoring Officer as detailed in Constitution.</b>  <b>Role of S.151 Officer as detailed in Constitution</b>  <b>Internal Audit Plan</b>  <b>Governance Committee</b>  <b>Terms of Reference - See Appendix C Action 6.</b></p>
<b>Effective overview and scrutiny</b>	<ul style="list-style-type: none"> <li>✓ 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</li> </ul>	<p><b>Scrutiny Terms of Reference and workplan</b></p>
<b>Robust Internal Control</b>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ The Audit Plan is compiled following consultation with Directors and Heads of Service</li> </ul>	<p><b>Audit Plan,</b>  <b>Audit Charter</b>  <b>Constitution</b>  <b>Anti-fraud and corruption strategy - See Appendix C Action 8</b></p>

	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ 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)</li> </ul>	<b>AGS process – See Appendix C Action 6</b>
<b>Managing Data</b>	<ul style="list-style-type: none"> <li>✓ The council has a suite of policies in place dealing with the issue of data management – safe collection, storage, use and sharing of data</li> <li>✓ Compliance with the Data Protection Act 1998</li> <li>✓ Compliance with the Freedom of Information Act 2000</li> <li>✓ Compliance with the Transparency Code 2015</li> </ul>	<b>IT Strategy Information Security Policy Records Management Guidance Compliance with DPA and FOI Acceptable Use Policy – See Appendix C Action 9</b>
<b>Strong Public Financial Management</b>	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ Financial regulations and CPRs are detailed within the constitution</li> <li>✓ Legal and Finance review all Committee reports and delegated decisions</li> </ul>	<b>Medium-Term Financial Strategy Financial Regs. And CPRs – See Appendix C Actions 2 &amp; 7</b>
<b>G. Good governance means implementing good practices in transparency, reporting and audit to deliver effective accountability</b>		
<b>The Council's Commitment to Good Governance</b>	<b>How the Council meets these principles</b>	<b>Where you can see Governance in action</b>
<b>Implementing good practice in transparency</b>	<ul style="list-style-type: none"> <li>✓ The Transparency Code has been complied with</li> <li>✓ 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.</li> <li>✓ The Corporate Plan is approved by full Council and communicated via our Website</li> <li>✓ The Corporate Plan is communicated to employees via Connect and Team Brief</li> <li>✓ The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble</li> <li>✓ My Neighbourhood forums are a key opportunity to communicate directly with the local community</li> </ul>	<b>Local Government Transparency Code 2014 Southribble.gov.uk website Southribblepartnership.org.uk website Schedule of Neighbourhood forum meetings (3 per annum)</b>
<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>✓ The Corporate Plan and Annual Report are published on the Council's website and show detailed progress towards its vision and priorities</li> <li>✓ Annual financial statements are reported and published on the Council's website</li> </ul>	<b>Corporate Plan and Annual report Annual Financial Statement Annual Governance Statement</b>

	<ul style="list-style-type: none"> <li>✓ 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.</li> </ul>	
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>✓ 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.</li> <li>✓ 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.</li> <li>✓ Assessment of the Council's governance arrangements as part of the AGS process</li> <li>✓ Public Sector Internal Audit Standards (PSIS) set out the standards for internal audit and have been adopted by the Council.</li> </ul>	<p><b>Peer review findings and improvement plan and Report from 2018 re-visit.</b> <b>AGS</b> <b>All recommendations are tracked through Internal Audit follow up processes and progress reported to Governance Committee – See Appendix C Action 6.</b> <b>An internal review of compliance with the standards was undertaken in 2017 and reported to Governance Committee.</b></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 various elements of the proposed restructure including those specific proposals relating to the Section 151 and Monitoring Officer roles. At its meeting on the 21<sup>st</sup> of March 2018 Full Council approved all elements of the restructure](#)

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 had an officer in place throughout the whole of the 12 month period 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. By way of an update her contract with the Council came to an end in June 2018.

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 (and continue to have) 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 appointed on a temporary basis a Deputy Chief Executive (Resources and Transformation). It was that officer’s role – amongst other things - to fulfil the section 151 officer role. By way of an update and for the sake of clarity this officer departed from the council’s

employment at the end of June 2018 and a new officer was appointed to the same role on a temporary basis. When there is an appointment to the Director of Finance and Assurance post then that post will fulfil the section 151 officer 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 31<sup>st</sup> of January and 1<sup>st</sup> 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.

- **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. *The system captures all projects and key performance measures and enables task owners and measure owners to input data and project updates directly into the system. The system then produces reports showing progress and allows for drilling down for more detail and commentary. It also sends reminders for updates thereby significantly reducing the amount of time spent on requesting updates and chasing for data.*

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.

**Head of Shared Assurance** – the arrangements in the council relating to the role of the Head of Shared Assurance conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)

**Head of Paid Service** – the council has effective arrangements in place for the discharge of the Head of Paid Service role. The role is fulfilled by the Chief Executive.

**External Audit** – all efforts are made by the council to ensure that support, information and responses are provided to external auditors on a timely basis. The council is fully committed to properly considering any findings and recommendations from External Audit.

**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.

**Partnership working** – the council has shared services arrangements in place with Chorley borough council. These arrangements relate to financial services and assurance. These arrangements are well established – they were established in 2008 by way of a detailed collaboration agreement between the councils. As part of the governance around such arrangements the councils have a shared services joint committee. In March 2018 the council voted to extend shared service arrangements to legal services and human resources. Apart from shared services the council has some key partnership/contractual arrangements in a number of other areas most notably leisure and waste. Detailed contractual arrangements are in place in these areas.

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 Governance committee undertakes all of the core functions of an audit committee as identified in the relevant CIPFA guidance.](#) 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 31<sup>st</sup> 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 31<sup>st</sup> of March 2017 to 1<sup>st</sup> 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 25<sup>th</sup> 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

**APPENDIX B**

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2017**

<b>Themes</b>	<b>Recommended Improvements</b>	<b>Actions Taken &amp; In Progress As At March 2018</b>	<b>Status</b>
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"> <li>- 1-2-1 budget holder sessions</li> <li>- New Cabinet Portfolio Holder for Finance.</li> <li>- Cross Party Budget Working Group established to raise awareness of the budget process and the budget challenges going forward.</li> </ul>	Complete
		Budget member learning hours are being set up for all members to attend	<b>C/FWD to 2018</b>
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.	<b>C/FWD to 2018</b>

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 <sup>th</sup> 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 and South Ribble councils.</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 <sup>th</sup> 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 <sup>th</sup> 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 carried out. More work in this regard will be carried out in the context of the CIPFA guidance document (2018 edition) on audit committees and ultimately this review will be considered by the Improvement Reference Group.	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

**APPENDIX C**

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018**

**For the sake of clarity the intention is that all actions set out in this Action Plan will be completed by the end of March 2019.**

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<b>Themes</b>	<b>Recommended Improvements</b>	<b>Proposed Actions</b>	<b>Source</b>
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>B/FWD from 2017</b>
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>B/FWD from 2017</b>
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>B/FWD from 2017</b>
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>B/FWD from 2017 / Peer Review re-visit</b>

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 <sup>th</sup> July 2017. These policies will be reviewed as shared services are rolled out.	<b>B/FWD from 2017</b>
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>B/FWD from 2017 / Peer Review re-visit</b>
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>B/FWD from 2017</b>
		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.	<b>Spend Analysis</b>
		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.	<b>Spend Analysis</b>
		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	<b>Spend Analysis</b>
8. Fraud	Increased fraud awareness.	Fraud awareness training to be delivered to all relevant officers using MILO e-learning modules.	<b>Service Assurance Statements</b>
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.	<b>Corp Assess</b>
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	<b>Peer Review re-visit &amp; Corp. Assess</b>
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	<b>Peer Review re-visit &amp; Corp. Assess</b>



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.	<b>Peer Review re-visit</b>
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	<b>Peer Review re-visit</b>
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	<b>Chief Executive</b>
15. Strong and effective leadership	Greater support to the shadow Cabinet	Shadow Cabinet to be provided with briefings on all Cabinet reports (once published)	<b>Chief Executive</b>
16. Management Structure	Implement the new senior management structure	Fully implement the management structure approved by Full Council.	<b>Peer Review re-visit</b>
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	<b>Peer Review re-visit</b>

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