

DRAFT

MINUTES OF	GOVERNANCE COMMITTEE
MEETING DATE	Wednesday, 13 September 2017
MEMBERS PRESENT:	Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Paul Foster, Margaret Smith and Karen Walton
OFFICERS:	Heather McManus (Chief Executive), Mark Gaffney (Director of Neighbourhoods, Environmental Health and Assets), Dave Whelan (Legal Services Manager/Monitoring Officer), Caroline Elwood (Interim Corporate Governance Manager), Susan Guinness (Head Of Shared Financial Services), Lee Hurst (Principal Systems & Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor (South Ribble)) and Dianne Scambler (Democratic and Member Services Officer)
OTHER MEMBERS AND OFFICERS:	Councillor Colin Clark (Deputy Leader and Cabinet Member for Corporate Support and Assets), Councillor Jacqueline Mort (Cabinet Member for Public Health, Safety and Wellbeing), Councillor Phil Smith (Cabinet Member for Regeneration and Leisure), Councillor Susan Snape (Cabinet Member for Finance), Councillor Keith Martin, Councillor Caroline Moon, Denise Johnson (Director of Development, Enterprise and Communities) and Jane Blundell (Principal Management Accountant)
PUBLIC:	0

18 Apologies for absence

An apology was received from Councillor David Bird.

19 Minutes of the Last Meeting

RESOLVED: That the minutes of the Governance Committee held on 28 June 2017 be confirmed as a correct record for signing by the Chair.

20 Declarations of Interests

No declarations of interest were received.

21 Lateness of reports

The Chair, committee members and several other Councillors who were in attendance at the meeting expressed their concern about the number of late reports that they had received for this agenda and received assurances from the Chief

Executive that measures would be put into place to prevent this from happening in the future.

22 Annual Governance Statement

The Interim Monitoring Officer presented the Council's Annual Governance Statement (AGS) for 2017 that provided assurance on the standards of corporate governance across all the Council's priorities and activities.

Following recent discussions with the External Auditors, amendments had been made to the draft AGS that was considered by the Committee at its meeting in June. A number of suggested changes were designed to improve the clarity and strengthen content. Principal changes included an explanation of the interim management arrangements, additional detail relating to Mary Ney's review of licensing and a paragraph relating to the staff survey.

Members asked for further information on the cross party Budget Working Group and the delivery of political awareness training to officers. A request was also made for the Committee to have sight of the proposed restructuring of the Democratic Services team when available. Members commented that this team was instrumental in supporting all Councillors and considered it appropriate that they were consulted.

Clarity was also sought on when the new Borough and Council Vision and priorities and new Corporate Plan for 2018-21 had been agreed and how this decision had been communicated to Elected Members.

Assurances were given that lessons learnt from the recent Licensing Review and Scrutiny recommendations would be shared across the authority and improved ways of working implemented.

It was acknowledged that a great deal of work had been undertaken over the last 12 months to strengthen and improve the Council's governance arrangements. Members welcomed the amendments to the AGS and were happy with the improvements already made but sought assurances that this good work would continue to ensure that good governance was embedded across the authority and seen to be complied with.

As work was still continuing on the Statement of Accounts that may generate additional amendments to the AGS it was RESOLVED: that the Chair be granted delegated power to agree any additional amendments to the Annual Governance Statement should that prove necessary.

23 External Audit - 2016/17 Audit Findings and Progress Report

The Committee received a report of the External Auditor on their audit findings for the authority for the year ending 31 March 2017 that highlighted key matters arising for the Council's financial statements and appreciation of the finance team and associated officers for their assistance during the audit.

The External Auditors confirmed that the audit was substantially complete subject to a few procedures to be finalised. A small number of disclosure changes that the Council had made had not affected its financial position and, as indicated within the report, the external audit had not identified any significant issues in relation to the significant and other risks identified in the audit plan. Based on their review of the Council's Narrative Report and Annual Governance Statement, they were satisfied that they were consistent with the audited financial statements and the Auditor intended to issue an unqualified opinion on the financial Statements on 30 September 2017.

However, to the disappointment of Members it was reported that the Auditor intended to issue a qualified opinion for its Value for Money conclusion. Whilst acknowledging that improvements had taken place during 2016/17, the VfM conclusion took into consideration the whole year. The current improvement plan was only in place from December 2016 and since that time the Council had been subject to a number of reviews, including the Peer Review which took place in March 2017 that had highlighted a number of issues to be addressed. The report highlighted those significant risks identified that included work relating to Medium term financial planning and Improvement plan. An Action Plan was included at Appendix A to the report and the Committee asked to be provided with regular updates.

As the External Audit was still not yet finalised, the work on the Statement of Accounts was still progressing. This was mainly due to the Committee meeting earlier in the month although there was a general acceptance that the process needed to be tightened to meet the early deadlines next year.

RESOLVED: That the Report be noted.

24 Audited Statement of Accounts

The Committee received a report that sought approval of the audited Statement of Accounts (SOA) for its publication by 30 September under the requirement of the Accounts and Audit (England) Regulations 2015. Once approved the signed Statement would be published on the Council's website.

At the time of writing the report the External Auditor had not fully completed their audit but the appointed Auditor expected to issue an unqualified opinion on the 2016/17 Statement of Accounts; a qualified Value for Money Conclusion and recommend a number of minor adjustments. No adjustments had been made that impacted upon the out-turn position of the Authority that was reported to Committee in June. Any further changes identified would be presented to Members of the Governance Committee at a training session ahead of its approval and signing before 30 September.

The draft Statement of Accounts 2016/17 and Letter of Representation were appended to the report.

The Statutory Finance Officer reported that the unaudited SOA for 2016/17 was completed on 19 May 2017 and had every confidence that the Authority would be successful in preparing to meet the new challenging deadline.

RESOLVED: That delegated authority be given to the Chair of Governance Committee to sign off the finalised Statement of Accounts 2016/17, Letter of Representation and Annual Governance Statement.

25 Budget Management Report as at 30 June 2017

The Committee received a report that provided an update on the Council's overall financial position compared to the financial plan for the first quarter of the 2017/18 financial year.

The report showed the financial position as at 30 June that had been set out in accordance with the year-end Statement of Accounts, over Directorate rather than

cost type. The report also showed an initial projected out-turn where budget variances are known to be permanent.

The financial performance to date showed that the Council is performing well and that the financial risk profile in respect of Business Rates Retention (BRR) has currently moved in a favourable direction. There is greater confidence that the Lancashire Pooling Agreement will continue, however, there is also an assumption that the outstanding BRR appeals totals will not undergo significant change during the remainder of the year. The two factors would be monitored closely.

The Capital Programme showed project spend to date, forecasted spend to be achieved by the end of the year and projects that may be re-phased into future years. The re-phasing of the Capital Programme would be reviewed when future investment in ICT has been mapped as part of work currently being done as part of the Business Transformational change programme and as part of setting the budget for 2018/19 that will support the Corporate Plan and Priorities. It was also expected that the next Budget Management Report would be able to update Members on the outcome of the City Deal Resource Review.

Members sought further details on the Council's ways of using virements, efficiency savings relating to the restructuring of the Environment and Neighbourhoods directorate and planning application fees for larger developments. Members also commented that it was important for them to understand the way in which financial decisions are taken by officers and asked for this detail to be communicated more effectively.

RESOLVED: That the report be noted.

26 Internal Audit Progress Report

Members received a report that advised of the progress and outcomes made on the South Ribble and Shared Services Internal Audit Plans for the period April to July 2017. The report also gave an appraisal of the Internal Audit Services' performance to date.

A snapshot of overall progress in 2017/18 was provided, indicating which audits had been completed and their control rating, those still in progress and those yet to start. Information on time planned and actually spent was also provided.

Since its implementation in April 2017, the Internal Audit have delivered training on the new risk management system GRACE to 64 South Ribble and Shared Services officers. The Chair commented that he too had received training and encouraged all other Members of the Committee to undertake this offer. It was recognised that it would be a challenge to fully implement GRACE as it would mean a cultural change for some manager and so it was agreed with the Senior Management Team that Internal Audit would provide support with the development and enhancement of key risk registers that included:

Corporate Risk Register
Corporate Plan Projects, and
Key Partnerships

Members noted that all the Internal Audit Plans were on target to be achieved. A table contained within the report highlighted the main pieces of work being undertaken during the period, together with any issues that had been identified.

The Chair on behalf of the Committee commended the work being undertaken by the Internal Audit team.

RESOLVED: That the report be noted.

27 Approach to Property and Asset Investment

The Committee received an interim report that provided details of a revised approach to property and asset investment at the Council. The council have identified investment in property and assets as a source of income to support delivery of the Medium Term Financial Strategy (MTFS) and a borough Investment Fund of £3.82m has been established to support this venture.

Cabinet is now considering the engagement of a property consultancy with specialist capability in investment management. This consultancy will support the Council in the development of an alternative Strategy and future acquisitions.

Details of the proposed scope and timeline for engaging the specialist property consultant was outlined within the report including the reporting deadlines for both Governance Committee and Cabinet. Appointment costs will be determined through the procurement process and included in any resulting Property Acquisition proposal financial model and business case.

Members were pleased to see the new approach being considered by Cabinet but had concerns that the process would take some considerable time to implement and would delay exploring opportunities for investment. Officers had every confidence that they would be able to appoint by January 2018 when the report goes to full Council for approval.

Although it was acknowledged that the Council already employs staff with property and investment knowledge it was accepted that this approach needed more specialist advice in order to achieve the levels of income expected.

RESOLVED: The Committee were pleased with new approach to date and looked forward to receiving a more detailed report at its next meeting on 29 November 2017.

28 Treasury Management Activity - Mid Year Review 2017/18

The Committee received a report on Treasury Management performance and compliance with prudential indicators in the financial year 2017/18 to the end of July.

Members were advised that the Prudential Indicators for 2017/18 will be revised when the Treasury Strategy for 2018/19 to 2020/21 is presented to Council in February 2018.

An update on economic matters and commentary on interest rate forecasts was presented. The average daily investment total for the period 31 July 2017 was £31.841m at an average rate of 0.53%. This exceeded the target of 0.13%, and the earnings rate of 0.25% for 2017/18 suggested by Capita. The interest receivable

budget for the year should be exceeded, the forecast being £116,000 compared to the budget of £69,000.

CIPFA are currently consulting on changes to the Treasury Management Code and Prudential Code and the Committee were appraised that there were no significant issues for this Council.

Members were also informed that the IFRS 9 Financial Instruments will be adopted in the Code of Practice on Local Authority Accounting in the UK 2018/19. On adoption, certain investment types could involve annual gains or losses which would have an impact on Council resources.

The Committee requested this documentation to be included in the training session to be delivered on the revised Statement of Accounts to help give them a better understanding of the forthcoming changes. It was also noted that investments with other Local Authorities provided a better rate of return than some banking establishments and this would need consideration in preparing the 2018/19 Treasury Management Strategy.

RESOLVED: That the report be noted.

29 Review of Constitution - Contract Procedure Rules

The Committee received a report following recommendation from the Governance Working Group that provided Members with the opportunity to comment on proposals to amend the Council's Contract Procedure Rules, together with the financial threshold for key decisions undertaken by the Cabinet, prior to their submission to Council for approval at its meeting in September 2017.

The Council's Contract Procedure Rules are a key part of the Council's Constitution and deal with the rules, processes and procedures for the procurement of contracts on behalf of the Council with a diverse range of suppliers and contractors. The rules are designed to protect the public purse by demonstrating value for money together with appropriate safeguards to ensure objectivity in the awarding of contracts and a copy of the proposed amended rules were appended to the report.

Members were asked in particular to note the proposed change to procurement thresholds that would bring them in line with a number of neighbouring authorities including Chorley, Lancaster, Wyre and Fylde with respect to the £100k threshold being raised from £75k,

Less than £20,000 – low value procurement
£20,000 to £100,000– Intermediate value
Over £100,000 – high value

Members shared the view by officers for the higher threshold to be increased to £100,000, however, they asked for further reasoning to be given on why the lower threshold had also been raised from £10,000 to £20,000 and asked for this to be clarified ahead of a decision by Council.

The Committee also asked for clarification of the arrangements associated with the payments of invoices that did not match the original purchase order and what

measures were in place to prevent officers for payments of additional unauthorised work above the order value.

RESOLVED: That the Governance Committee recommends full Council to agree to the amendments in the Constitution relating to Contract Procedure Rules and Key Decisions subject to the provision of further comparators for the proposed increase of the low value threshold from £10,000 to £20,000.

30 Review of Constitution - Council Terms of Reference and Members

The Committee received a report that provided Members with the opportunity to comment on the amended proposals for the Terms of Reference for full Council, including the role of Mayor and Elected Members, within the Constitution, prior to submission to the Council for approval at its meeting in September 2017.

The new draft Terms of Reference for full Council appended to the report had been rewritten to update and make more comprehensive the existing terms of reference. This included a review of the Policy Framework documents at section 4. If approved, the important plans and strategies would then guide the work of Cabinet as part of the Budget and Policy Framework and would replace Articles 2, 4 and 5.

The Governance Committee Working Group had considered the proposed Terms of Reference at its meeting on 29 August and Members were pleased to note that most of their suggested changes had been included.

Members asked for further information at the meeting in relation to Council policy relating to casino licences, those functions not assigned to a specific meeting under the local choice rule and virement limits as part of the Financial Procedure Rules. In response to a question from the audience Members were informed that a report on access to information would be brought to a future meeting of the Committee.

Further clarification was sought as to how the Council's Constitution would deal with the constitutional changes surrounding the proposed joint senior management arrangements that was due to be determined at Council later on the month, particularly in relation to the appointments of the statutory officers. The Chief Executive gave assurances that this level of detail would be contained within the Council report on Shared Services.

RESOLVED:

1. That the Governance Committee recommend full Council to approve the amended Terms of Reference for full Council, including the role of Mayor and Elected Members with the Constitution.
2. That a report on access to information be brought to a future meeting of the Committee.

31 General Licensing Committee and Licensing Act 2003 - Review of Constitution and Introduction of Member Panels for Hearings of the General Licensing Committee

The Committee received a report that provided Members with the opportunity to comment on proposals for a review of the Constitution in relation to the General Licensing Committee and Licensing Act Committee that included revised Terms of Reference for both Committee's and as part of revising the General Licensing

Committee's Terms of Reference, the introduction of a new and more streamlined system for hearings.

If agreed, taxi licensing Hearing Panels would be heard by a Sub Committee Panel consisting of five members, drawn from the membership of the General Licensing Committee. To ensure consistency of approach, the Panel hearings would be chaired by either the Chair or Vice Chair of the Licensing Committee and the rest of the membership would be filled on a rota basis to ensure that all members continue to play a positive role in the practical work of the Committee. The membership would also be allocated in accordance with political balance.

Members of the Governance Committee commented that they were pleased that the Hearing Panels would consist of five members rather than three that had previously been suggested. However, the Committee agreed to let the General Licensing Committee debate and form a recommendation that the Governance Committee would then recommend to Council.

RESOLVED: That the final decision be delegated to the Chairman and Vice Chairman to recommend the wording for approval to the Council meeting on 27 September subject to any comments/views being made by the Licensing Committees on 19 September.

Chair

Date