

# Minutes

<b>Meeting name</b>	<b>Governance Committee</b>
<b>Date</b>	<b>Tuesday, 24 July 2018</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH</b>

## Present:

**Chair** Councillor P. Cumbers (Chair)

**Councillors** J. Simpson (Vice-Chair) T. Bains  
M. Blase J. Douglas  
P. Faulkner M. Glancy  
J. Illingworth J. Wyatt

**Observers** T. Greenow

**Officers** Chief Executive  
Director for Legal and Democratic Services  
Corporate Services Manager  
Steve Clarke  
Administrative Assistant Elections & Member Support  
  
External Audit

Minute No.	Minute
G83	<p><b>Apologies for Absence</b> There were no apologies for absence. Councillor Posnett was not present.</p>
G84	<p><b>Minutes</b> The minutes of the meeting held on 12 June 2018 were confirmed and authorised to be signed by the Chair.</p>
G85	<p><b>Declarations of Interest</b> There were no declarations of interest.</p>
G86	<p><b>Statement of Accounts 2017/18</b> On behalf of the Director for Corporate Services, the Corporate Services Manager</p> <p>(a) submitted a report (copies of which had previously been circulated to Members) presenting the Statement of Accounts 2017/18 for approval, which had been prepared in accordance with the Accounts and Audit Regulations 2015 and informed the Committee of the key issues within the accounts. The Chair was to sign the accounts following the meeting should they be accepted;</p> <p>(b) highlighted that the new deadlines had come in to force. For the first time, the unaudited Statement of Accounts had been authorised by the Section 151 Officer and published by 31 May 2018 (and were available for a thirty day period, which must include the first ten days in June) and the audited Accounts had to be produced, approved by this Committee and published by the 31 July 2018. The Council had prepared for the earlier deadline over previous years;</p> <p>(c) advised that the earlier deadlines resulted in an increase of estimation within the financial accounts and that it would continue to be necessary to rely on the use of estimates in the process, in order to achieve the early closedown each year. The potential consequences of this were:-</p> <ul style="list-style-type: none"> <li>• an increase in the amount of post-audit amendments</li> <li>• a 'knock-on' effect into the following financial year if estimates of accruals were not as accurate;</li> </ul> <p>(d) commented that next year's Accounts would present the effects of the recent management changes within this Council;</p> <p>(e) stated that subject to this Committee's approval, the Statement of Accounts would be signed and dated by the Chair.</p> <p>A Member referred to the Management Structure at section 2.4 of the Narrative</p>

Statement and asked if the names of the recently appointed Director for Legal and Democratic Services and Director for Growth and Regeneration would be added to the Structure. The Corporate Services Manager confirmed that names would be added for the final version.

Another Member queried whether this Council had finalised its new waste contract, as anticipated in the Narrative Statement and the Corporate Services Manager confirmed that it had been finalised.

There being no further comments or questions from Members, it was

**RESOLVED** that the Statement of Accounts for 2017/18 be approved and signed by the Chairperson.

The Statement of Accounts were hereby signed by the Chair.

G87

**Annual Governance Statement**

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) explaining the requirements for this Council to produce an Annual Governance Statement (AGS) and requesting the Committee approve it;
- (b) advised that the AGS demonstrated the Council's compliance with its Local Code of Corporate Governance. In discharging its obligations, the Council was responsible for putting in place appropriate arrangements for the governance of its affairs and for ensuring that there was a sound system of internal control, which facilitated the effective exercise of its functions and included arrangements for the management of risk;
- (c) confirmed that a revised Local Code of Corporate Governance would be submitted to a future meeting of this Committee;
- (d) stated that the Council had an established officer Corporate Governance Group, composed of the Head of Paid Service, S151 Officer, Monitoring Officer and Solicitor to the Council, to oversee these matters. In the future, the content of the meetings would be considered by Senior Management Team, to ensure a corporate responsibility for good governance, as well as ad hoc meetings of statutory officers where required;
- (e) highlighted
  - i. the Council's commitment to integrity and ethical values
  - ii. this Committee reviewed changes to the Council's Constitution on an ongoing basis and considered an annual review of changes. Minor alterations to the process of updating the Constitution were being considered
  - iii. Members had to consider ethical standards and probity and relevant

training on ethical values was undertaken by Members and officers on a regular basis. The 2016 Internal Audit report on ethical standards and probity arrangements found substantial assurance, the highest level available.

- iv. the Council promoted ethical standards and ensured its contractors complied with these standards. The Council used a Standard Selection Questionnaire in all procurements valued over £50k and depending on the nature of the procurement, relevant and specific questions may be asked within the tender itself. An audit of procurement compliance had concluded that there was a good control environment, together with satisfactory compliance.
  - v. the Council had in place a suite of regularly updated policies and strategies, covering both internal and external issues, which were available to staff and the public via the internal MIKE site and the Council's website.
  - vi. the Council's Corporate Health and Safety Policy was in place. An annual statement on Health and Safety was prepared and reported to Senior Management Team and the Council had a Safety Committee, on which the Senior Management Team was represented
- (f) advised that the Council valued and ensured openness and comprehensive stakeholder engagement. A Consultation Toolkit was used to guide effective and appropriate consultation. The Council had established partnership working and consultation with a number of different partners and organisations and had excellent relations with recognised trade unions;
- (g) commented on how the Council focussed on its performance through the Corporate Peer Challenge, which had led to a number of recommendations, which the Council had agreed. There had been significant work undertaken with Members to identify the key vision and Corporate priorities for the Council. These changes would be significant and whilst they would come in to effect immediately, the next Council year would be a transition, with the full arrangements being in place for the 2019/20 year;
- (h) advised that the Council was resourceful and had well established flexible working practices, which enabled good levels of productivity to be achieved. The Chief Executive was driving a new Workforce Strategy, which would further assist in ensuring that the Council maximised the potential of available staffing resources. The Council had managed to maintain a healthy training budget to assist with staff and Member development. Additional senior level capacity had been achieved with the creation of two new posts, as part of a Senior Management realignment. In addition, there was a programme of recruitment taking place to ensure that capacity was maximised, as well as further structural reviews;
- (i) confirmed that an up to date and regularly reviewed Risk Management Policy and Strategy was maintained. This required that both service and corporate risk registers were maintained with appropriate action plans to

mitigate and manage identified risks. These risk registers were reviewed and updated by Senior Management Team, as appropriate. A full review had been undertaken during 2017/18, with the revised policy and updated strategic risk register being approved at a meeting of this Committee in June;

- (j) highlighted that the Council was making some significant changes to the management of performance. An updated suite of performance measures would be introduced in 2018/19 and would be reported to individual policy committees project management/appraisal process – looking at these;
- (k) advised that the Council had a duty to maintain an Internal Audit service. Based on work undertaken during 2017/18, Internal Audit's overall opinion on the Council's control environment was that of Satisfactory Assurance. An opinion of at least Satisfactory Assurance was given for controls relating to the key financial systems. Of the Internal Audit assignments delivered during 2017/18, two had resulted in an opinion of less than satisfactory. These related to Safe Driving at Work and Development Control. The Council was taking action to address Internal Audit's findings and ensure its governance arrangements were robust;
- (l) confirmed that information security through the General Data Protection Regulations (GDPR) had been implemented throughout the Council;
- (m) advised that the following areas had been identified as issues of focus during 2018/19:-
  - capacity across the council
  - lack of focus caused by too many priorities
  - the committee structures
  - the delegation scheme not being as effective as it should be
  - MMDR funding
  - no balanced budget for 2018/19 and dependency on achieving some high risk activities

These areas would be developed and managed over the year.

A Member highlighted the Risk Description at paragraph 9.1 of the report, querying how the reputation and performance of the Council could be affected. The Monitoring Officer clarified that if the requirements detailed in the report were not complied with, there would be a risk to the reputation and performance of the Council (eg non-compliance with General Data Protection Regulations);

The Member asked if there were any financial implications of non-compliance. The Monitoring Officer advised that there were always financial implications if there was an absence of good governance (eg wasting public money) and added that the Annual Governance Statement highlighted that the Council did have good governance measures in place.

Another Member noted the less than Satisfactory Assurance which had been given by Internal Audit for the Safe Driving at Work and Development Control audits. He asked how Members of this Committee would be updated on the action taken.

The Monitoring Officer confirmed that the Head of Internal Audit would provide an update to a future meeting of this Committee. The Chief Executive added that the Head of Internal Audit periodically attended Senior Management Team and action would not be overlooked.

Another Member commented that the Annual Governance Statement was very user friendly and the tables within the document conveyed information well.

There being no further comments or questions from Members, it was

**RESOLVED** that this Council's draft Annual Governance Statement (AGS) be approved.

G88

**External Audit Annual Governance Report 2017/18**

Steve Clarke, External Auditor

- (a) presented a report (copies of which had previously been circulated to Members) summarising the results of the 2017/18 audit of the financial statements;
- (b) highlighted
  - i. audit of the Council's financial statements was undertaken in accordance with the audit planning report (submitted to a meeting of this Committee on 6 February 2018), with the exception of changes in materiality. The planning report stated that the audit procedures would be performed using a materiality of £0.605m. External Audit updated their planning materiality assessment using the draft financial statements and also reconsidered its risk assessment. Based on its materiality measure of gross expenditure on provision of services, External Audit had updated its overall materiality assessment to £0.571m. This resulted in updated performance materiality at 75% of overall materiality of £0.428m and an updated threshold for reporting misstatements of £0.029m.
  - ii. subject to satisfactory completion of outstanding matters (eg submission of the whole of government account assurance statement), External Audit anticipated issuing an unqualified opinion on the Council's financial statements. It was noted that matters such as concluding the pension disclosures and final review of the Narrative Report and financial statements had been completed.
  - iii. External Audit identified one unadjusted audit difference in the draft

financial statements, relating to the valuation of the investments held within the Pension Fund. Senior Management had chosen not to adjust the understatement of £0.147m, in relation to the pension scheme asset valuation used by the scheme actuary. External Audit agreed that the impact was not material.

- iv. External Audit identified audit differences, which had been adjusted by Senior Management. These were either classification errors or disclosure matters and had no impact on the overall reported financial position.
- v. External Audit's planning report had identified key areas of focus for the audit of the Council's financial statements. Observations and conclusions on these matters were included within the report before Members. There were no matters other than those reported by Senior Management or disclosed in the report to be brought to the attention of this Committee.
- vi. Some deficiencies in internal control had been identified, relating to
  - key contracts not included on the Contracts Register. The Council would perform a refresh of the Contracts Register and would ensure it remained accurate
  - calculation of the bad debt provision. The Council had updated the bad debt provision calculation for business rates and council tax. The process for calculating the bad debts on other debts was being reviewed as well.
- vii. External Audit had identified one significant value for money risk over sustainable resource deployment and were comfortable with how the Council proposed to deal with this;

(c) confirmed that there were no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources;

The Chair thanked Mr. Clarke for the work undertaken by External Audit and noted the findings in relation to the review of key contracts, highlighting that the Council would take action on this and Members would receive further information at the next agenda item.

**RESOLVED** that the report be noted.

G89

**Contract Procedure Rules Review**

On behalf of the Head of Welland Procurement, the Corporate Services Manager

- (a) submitted a report (copies of which had previously been circulated to Members) providing an overview of the updates to the Contract Procedure Rules that were being recommended;
- (b) advised that the Contract Procedure Rules had not undergone a thorough review for some time. The changes required as a result of the Public Contract Regulations 2015, were added to the existing rules to ensure

speedy compliance;

(c) highlighted that the revised draft was at Appendix A of the report. This took into consideration recent recommendations from Procurement Audits and attempts had been made to streamline the Rules, to aide better understanding by those using them. The aim was to continue to have an appropriate level of governance regarding procurement practice, while ensuring that processes were sufficiently streamlined to encourage their use;

(d) confirmed that the Head of Welland Procurement had reviewed other Contract Procedure Rules to ensure the Council's Rules complied with best practice. The Rules would be supported by a Procurement Toolkit and Procurement Template documents;

The Chair referred to the fire, which had gutted the Council offices in 2008 and queried how contracts were currently stored. The Corporate Services Manager advised that the Council retained electronic copies of all contracts and were in the process of ensuring that hard copies were securely stored. Many of the recommendations from the Internal Audit report on Contract Management had been implemented.

The Chair added that this version of the Contract Procedure Rules was more comprehensible than previous versions.

There being no further comments or questions from Members, it was

**RESOLVED** that the revised Contract Procedure Rules be approved and referred to Full Council for adoption in this Council's Constitution.

G90

**Governance Review - Phase 2**

The Director for Legal and Democratic Services

(a) submitted a report (copies of which had previously been circulated to Members) updating the Committee on the second phase of the Governance Review and the programme of activities under consideration;

(b) advised that the first phase of the Governance Review had completed. This included Council's approval of a set of twenty-seven recommendations at an Extraordinary Meeting on 8 May. The Governance Development Group (the Group) was retained in its format and membership to continue its remit;

(c) confirmed that Phase 2 of the Review was in progress. Two meetings within this phase had been held to date. The Group was making arrangements for exploratory discussions with Chief Executives and Members from several other Local Authorities in August, which operated various models of governance. A report on this would be submitted to the September meeting of this Committee, with a recommendation for progression. A period of consultation would follow, before submission to Council;



(d) advised that the Group had considered the role of the Appeals Committee, which had not met since 2009. Due to lack of business and the ongoing payment of a Special Responsibility Allowance to the Chair of this Committee, the Group recommended that the requirement to appoint a Chair on an annual basis and the corresponding Special Responsibility Allowance be removed. The Group considered that a Chair could be appointed on an ad hoc basis, as and when the Committee was required to meet. Both the current Chair of the Appeals Committee and the Chair of the Welland Independent Remuneration Panel had been consulted;

(e) Highlighted that other matters which remained on the agenda for Phase 2 related to the realignment of budgets into the new Committees structure and responsibilities. The Council's Constitution and scheme of delegation was to be fully reviewed. The Group would continue to consider any other matters, which would reduce duplication and make potential efficiency savings to the Council.

A Member highlighted risk 2 at paragraph 9.1 of the report, querying if the Council's resources and value for money were being impacted by duplication of roles and functions. The Director for Legal and Democratic Services clarified that although resources and value for money were not currently affected, this was a potential risk. The Chief Executive added that although the risk was low, it had been included in the report for full transparency.

There being no further question or comment from Members, it was

**RESOLVED** that

(1) the update on the second phase of the Governance Review be noted;

(2) the following be approved and referred to Full Council for adoption and updating the Constitution accordingly:-

- a. The removal of the annual appointment of a Chair to the Appeals Committee and this appointment be made on an ad hoc basis as and when required
- b. Allocation of the Special Responsibility Allowance to the Chair of the Appeals Committee be deleted from the Member Allowances Scheme and the Scheme be updated accordingly.

G91

**Urgent Business**

There was no urgent business.

The meeting closed at: 7.17 pm

Chair

