



GOVERNANCE COMMITTEE

PARKSIDE, STATION APPROACH, BURTON STREET, MELTON MOWBRAY

19 SEPTEMBER 2017

PRESENT

Councillors P. Cumbers (Chair), P.M. Chandler,
J. Douglas, P. Faulkner, J. Illingworth,
J. Simpson

Deputy Chief Executive
Corporate Director
Head of Internal Audit
Interim Asset Manager
Waste & Environmental Maintenance Manager
Administration Assistant – Elections & Member Support

Stephen Clark, Ernst Young (External Auditor)
Vishal Savjani, Ernst Young (External Auditor)

G15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Beaken, Blase and Rhodes. Councillor Posnett was also not present.

G16. MINUTES

The Minutes of Governance Committee held on 6 June 2017 were confirmed and authorised to be signed by the Chair.

The Minutes Governance Sub Committee 1 held on 20 July 2017 were confirmed and authorised to be signed by the Chair.

G17. DECLARATIONS OF INTEREST

There were no declarations of interest.

RECOMMENDATIONS FROM OTHER COMMITTEES

Rural Economic and Environmental Affairs Committee: 7 June 2017: Minute R4
– Name of Committee

The Chair advised Members that the recommendation formed part of agenda item 13 (Constitution Update 2017/18) and would be considered later in the meeting.

G18. UPDATE ON DECISIONS

On behalf of the Chief Executive, the Corporate Director submitted a report (copies of which had previously been circulated to Members) which provided an update on decisions from the previous meeting of the Committee.

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

RESOLVED that the Update on Decisions document be noted.

G19. CAPITAL PROJECT MONITORING

On behalf of the Chief Executive the Corporate Director submitted a table (copies of which had previously been circulated to Members) advising of procurement and procedural stages of a sample of projects.

The Chair reminded Members that the purpose of the document was to provide information about the governance of projects. She suggested that rather than being submitted to future meetings of this Committee, governance of projects be monitored via an alternative means,. The Corporate Director added that the intended purpose of this agenda item was not being fulfilled. Concerns about projects could be included in the Internal Audit Plan instead. The Chief Executive was committed to achieving good governance processes.

Members disagreed with the suggestion, commenting that not enough was known about 'some things'.

The Corporate Director highlighted that the Capital Project Monitoring concerned only the governance, rather than the minutiae of projects.

The Deputy Chief Executive suggested that this be discussed at the next meeting of the Conservative Chairs on 25 September 2017.

A Member commented that there appeared to be a lack of progress on projects and that this had been commented on at the Community and Social Affairs Committee meeting on 13 September 2017.

The Interim Asset Manager

- (a) provided an overview of the governance of the Gretton Court – Extra Care project, highlighting that a full Feasibility Update report had been presented to Members of the Community and Social Affairs Committee on 24 January 2017 and the Committee had agreed development of a full financial and operational Business Case for Members consideration, working in partnership with Leicestershire County Council;
- (b) advised there were on-going discussions with the Project Design Team and Leicestershire County Council, concerning development of the Business Case, which would be presented to the Community and Social

Affairs Committee on 15 November 2017. It was anticipated that the project would be delivered in 2018/19;

- (c) confirmed that a joint Risk Register had been developed with Leicestershire County Council;

The Interim Asset Manager

- (a) provided an overview of the governance of the Fairmead Regeneration project, highlighting that the Community and Social Affairs Committee had approved the Business Case for the project in 2015/16. The project was programmed for 2017/18, with anticipated delivery in 2018/19;
- (b) advised that the project would form part of a joint development with Partners to lever in monies. The review of costs and concepts from the original plan were underway;
- (c) confirmed that a full Risk Register was in place to take into account planning, demolition & development.

The Waste and Environmental Services Manager

- (a) provided an overview of the governance of the Play Equipment Renewal (Honeysuckle Way and Kirby Fields) project, confirming
 - an overarching twenty-five year Play Area Renewal and Replacement Programme had been approved by the Community and Social Affairs Committee in November 2014, ensuring reputable equipment would be purchased when needed from funds set aside for this purpose. This Council had three main suppliers, two of which were the leading suppliers in the country;
 - Programme Board had approved a Project Mandate for equipment renewal at both sites in March 2017;
 - the Business Case for the equipment renewal had been approved by the Policy, Finance and Administration Committee in June 2017;
 - the Community and Social Affairs Committee had approved policy, requiring identification of both a quality company and like for like value play equipment, with consideration given to whole life durability (reliable, steel constructed equipment), assurance of quality and timely installation;
 - site meetings were conducted to agree equipment orientation, location and fit with existing apparatus.
- (b) advised that in line with the overarching Renewal and Replacement Programme and Replacement Policy, equipment specification had been agreed. Only one supplier had been identified as able to meet the requirements for this project. There had been some unavoidable delays but the procurement was progressing, with a view to installation taking place in October 2017;
- (c) confirmed that as part of the overarching Replacement and Renewal Programme, this project was subject to an internal Risk Log.

There being no comments or questions from Members it was

RESOLVED that the Capital Project Monitoring document be noted.

G20. STATEMENT OF ACCOUNTS 2016/17

The Corporate Director

(a) submitted a report (copies of which had previously been circulated to Members) presenting the Statement of Accounts for 2016/17 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 Chairperson was to sign the accounts following the meeting should they be accepted;

(b) advised that

- a report considering the General Fund and Housing Revenue Account position in comparison to the budget was presented to the Policy, Finance and Administration Committee on 11 July 2017
- the provisional Housing Revenue Accounts end of year position was also reported to the Community and Social Affairs Committee on 21 June 2017
- the report set out key points for Members attention, in relation to the Balance Sheet summarising this Council's assets and liabilities at 31 March 2017
- the final version of the Statement of Accounts was attached to the report at Appendix A and this had been audited by External Audit. The resulting report from External Audit would be considered later at this meeting
- the Statement of Accounts was a weighty document, hence External Audit had delivered associated training on 6 June 2017 and this training would be provided again next year
- the Local Audit and Accountability Act 2014 required Local Authorities to publish an audited copy of their Statement of Accounts by 31 July from 2017/18, instead of the current date of 30 September. Authorities would need to 'sign off' the unaudited accounts by 31 May instead of 30 June. This was trialled again this year and achieved but there was still work to do to ensure this early 'closedown' would be achieved each year.

There being no comments or questions from Members it was

RESOLVED that the Statement of Accounts for 2016/17 be approved and signed by the Chairman.

G21. ANNUAL GOVERNANCE STATEMENT

The Monitoring Officer

(a) submitted a report (copies of which had previously been circulated to Members) which explained the requirements for this Council to produce

an Annual Governance Statement (AGS) and requested the Committee approve it;

(b) advised that

- the Accounts and Audit (England) Regulations 2011, required Local Authorities to conduct a review of the effectiveness of its system of internal controls and publish an Annual Governance Statement with its Statement of Accounts
- the Annual Governance process provided a continuous review of the effectiveness of this Council's internal control and risk management systems, in order to give assurance of their effectiveness (or produce a management action plan to address identified weaknesses in either process)
- the Annual Governance Statement was set out at Appendix A of the report
- the Chartered Institute of Public Finance and Accountancy required the most senior officer and most senior Member (this Council's Chief Executive and Leader) to sign the Annual Governance Statement. They must be satisfied that the document was supported by reliable evidence, accurately reflecting the internal controls in place

There being no questions from Members it was

RESOLVED that the Draft Annual Governance Statement, as set out in Appendix A to the report be approved.

G22. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2016/17

Vishal Savjani, External Auditor

(a) presented a report (copies of which had previously been circulated to Members) summarising the results of the 2016/17 audit of the financial statements;

(b) advised there were eight sections within the report, highlighting

- Executive Summary - the audit was substantially complete and subject to satisfactory completion of several outstanding items, it was anticipated that an unqualified opinion on this Council's financial statements would be issued
- Areas of Audit Focus – The Audit Plan presented to this Committee on 7 February 2017, identified key areas of focus for the audit of this Council's financial statements. This Council was asked to review External Audit's observations and conclusions to ensure:-
 - i. there were no other considerations or matters that could have an impact on these issues
 - ii. this Council agreed with the resolution of the issue
 - iii. there were no other significant issues to be considered

There were no matters apart from those reported by this Council or disclosed within the report, which should be brought to the attention of this Committee

- Audit Differences – Four unadjusted audit differences were identified in the draft financial statements, which this Council had chosen not to adjust:-
 - i. 'The Auditors of the Leicestershire Pension Fund identified an error over the valuation of the investments held within the pension fund. The impact of the error is to increase the asset values used for the valuation of Melton Borough Council pension liability as at 31 March 2017 by £51k. The impact on the accounts is to reduce the overall pension liability and amount charged to the pension reserve by the same amount
 - ii. 'The pension cost for the year disclosed was understated by £34k. The impact on the accounts is to increase the overall pension liability and amount charged to the pension reserve by the same amount'
 - iii. 'The method used to calculate the provision for business Rates appeal by the Council is not consistent with our expectation. The estimate is overstated by £321k. The effect on the Council's accounts is to overstate provisions by £129k (40% share) and understate the business rates income by the same amount'
 - iv. 'As part of our testing of creditors, the Council were unable to evidence the inclusion of two creditors, one of £95 for water liability and another of £1000 for electricity liability. As a result, we have extrapolated the error identified over the creditor balance and the projected error is £51k'

It was requested that they be corrected or a rationale as to why they would not be corrected be approved by this Committee and included in the Letter of Representation.

The Corporate Director referred Members to a copy of this Council's rationale/response to the External Auditor's findings, which had been circulated for Members' attention, prior to the start of this meeting:-

- i. 'This was an error identified by the auditors of the Leicestershire Pension Fund on an amount entirely outside of this Council's control. Due to the lateness of this identification and the impact affecting both sides of the balance sheet only and so not the cost of services, no adjustment was made'
- ii. 'This was an error caused by the difference in estimate of early retirements to actuals. Due to the impact affecting both sides of the balance sheet only and so not the cost of services, no adjustment was made'
- iii. This Council have agreed to review this opinion on the provision for next year as more information becomes available. This Council is comfortable that the estimates used this year are adequate for the purpose'

- iv. 'The £51k is as noted a projected amount rather than a fully quantified figure. Therefore an adjustment would be inappropriate'.

The effects of the unadjusted audit differences were immaterial, both individually and in the aggregate to the financial statements taken as a whole and therefore had not been corrected. The External Auditor agreed that these differences were not material.

The External Auditor stated that a small number of presentational and reclassification adjustments had been identified and adjusted by this Council. There was no impact on the reported financial performance of this Council.

- Audit Report – External Audit's opinion on the financial statements was they:-
 - i. gave a true and fair view of this Council's financial position as at 31 March 2017 and of its expenditure and income for the year then ended
 - ii. had been prepared properly, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2016/17.

External Audit's opinion on other matters was that the information given in the Annual Statement of Accounts for 2016/17, for the financial year for which financial statements had been prepared was consistent with the financial statements.

External Audit was satisfied that this Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

- Value for Money – External Audit had considered this Council's arrangements to take informed decisions, deploy resources in a sustainable manner and work with partners and other third parties. No significant risks had been identified.
- Assessment of Control Environment – No significant deficiencies in internal control had been identified. However, improvement recommendations for financial processes had been identified and agreed by this Council

Members confirmed that they were satisfied with this Council's rationale relating to the four unadjusted audit differences which had been identified in the draft financial statements, which this Council had chosen not to adjust.

A Member queried if External Audit had identified any misstatements less than £30k during their audit. The External Auditor advised that there had been two identified. These related to creditors and amounted to an estimated £95 approximately.

There being no further comments or questions from Members it was

RESOLVED that the report be noted.

G23. INTERNAL AUDIT PROGRESS REPORT 2017/18

The Head of Internal Audit

- (a) submitted a report (copies of which had previously been circulated to Members) providing an update on progress made in delivering the 2017/18 Annual Audit Plan and key findings arising from audit assignments completed;
- (b) summarised the key areas on the delivery of the Internal Audit Plan, which included an update on current assignments;
- (c) highlighted the current status of assignments and outcomes where applicable on pages 6 and 7 of Appendix A of the report. To date, 75% of the Audit Plan was either complete or in progress. Since the last meeting of this Committee on 6 June 2017, three assignments had been finalised.
- (d) confirmed that work based training had been delivered to staff and a review of the Council's counter fraud arrangements had also been undertaken with the remaining budget;
- (e) stated that two audit reports had been finalised since the last meeting of this Committee and the outcomes were summarised in section 2.5 of Appendix A (this was the first opportunity for this Committee to receive the new assurance ratings):-
 - Melton Community Lottery – There were established Terms and Conditions and eligibility criteria in place. Sample testing had confirmed that there was evidence to support decisions on applications and there were financial controls in place for payments. However some recommendations had been made around improving record keeping and audit trails. This had a minor organisational impact
 - Data Management – There was an Action Plan in place for General Data Protection Regulations and policies were in place. Some recommendations had been made concerning training and communications to ensure consistent compliance. Record keeping of Subject Access Requests needed improvement. This had a moderate organisational impact and was the higher priority. The Recommendations had not been implemented but the Action Plan was in place.
- (f) confirmed that to date there were twelve actions overdue by more than three months. Three of these were high priority and were summarised on page 12 of Appendix A;
- (g) highlighted that copies of all final Internal Audit reports were available to Members on request.

A Member queried if the lottery company's management fee was a percentage of income generated and the Corporate Director confirmed that it was. She further commented that the hope was that through the Community Lottery, community groups would become a much less reliant on grant funding.

Another Member commented that they had been alarmed by delays in the Housing Options and Homelessness work undertaken by this Council but further commented that the report to the Community and Social Affairs Committee on 13 September 2017, had been in-depth and excellent.

Members agreed the report was very interesting and thanked the Head of Internal Audit for her work.

There being no further comments or questions from Members it was

RESOLVED that the report and progress made by Internal Audit in delivery of the Internal Audit Plan be noted.

G24. ANNUAL REVIEW OF RISK MANAGEMENT

The Corporate Director

- (a) submitted a report (copies of which had previously been circulated to Members) providing an update on the management of risk within this Council during 2016/17;
- (b) advised that the current risk management strategy and policy was approved in 2015 and would be due for review in 2018. This Council proposed to undertake the review using support from its insurance provider Zurich Municipal, who also supplied training and consultancy on Risk Management as part of the insurance contract;
- (c) highlighted this work involved managing, rather than eliminating risk. It was important to improve awareness and understanding of risks and move forward, ensuring everything was done to mitigate the risks;
- (d) confirmed that the Corporate Risk Register at Appendix A of the report had been updated using the Service Risk Registers. Detailed summaries of the changes since September 2016 were at 3.3 of the report.

A Member commented that there appeared to be low staff morale due to a reduction in workforce numbers. There were not enough funds to employ/replace staff and as a result there had been instances of services failing to meet customer needs and poor customer satisfaction. They further commented that Members too needed to do more to improve customer relations, particularly concerning the Local Plan

There being no further comments or questions from Members it was

RESOLVED: that the latest Corporate Risk Register and associated Risk Management Action Plan, attached to the report at Appendix A be approved.

G25. CODE OF CONDUCT UPDATE

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) which updated the Committee on the latest position with regard to standards matters including the Code of Conduct, the Registration of Disclosable Pecuniary Interests and Other Interests and any complaints against Councillors dealt with under the Council's process;
- (b) gave a brief overview of the report, confirming that Registration of Disclosable Pecuniary Interests and Other Interests were up to date and he was not aware of any Parish Council issues to draw Members' attention to;
- (c) advised that the complaints against Member(s) reported to this Committee on 6 June 2017, had been considered by Governance Sub Committee 1 on 20 July 2017. 'Other Action' in the form of training had been recommended to the Parish Council in each case and the Parish Council had agreed to this. The first training session would be delivered by himself and Deputy Monitoring Officer and would take place on 28 September 2017. The Parish Council had since raised some queries with him and Leicestershire and Rutland Association of Local Councils, as to dealing with an imminent procurement matter;
- (d) confirmed the appointment of two Independent Persons at a meeting of Full Council on 19 July 2017. The term of office for these appointments was five years. Training would also be available to them. The two existing Parish Representatives remained in post.

A Member queried how easy it was for a Parish Council to seek advice from this Council on matters such as procurement and the Monitoring Officer confirmed that the National Association of Local Councils would be a Parish's Council's first point of contact but there could be occasions they seek advice from this Council as well.

Another Member noted that there was some useful information within this Council's Constitution regarding procurement, further commenting that procurement training had been available to Members in the past. The Corporate Director advised that staff continue to receive this training.

RESOLVED that the update on the position of standards matters including Parishes' Registration of Disclosable Pecuniary Interests and Other Interests and complaints against Councillors dealt with under the provisions of the Localism Act be noted.

G26. CONSTITUTION UPDATE 2017-18

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) to enable the Committee to consider items relating to the Council's Constitution for onward referral to the Council for adoption and incorporation into the Council's Constitution;
- (b) advised that the recommendation at 2.3 concerning new Officer delegation was not approved at the Community and Social Affairs Committee meeting on 13 September 2017 and as such, would not to be considered at this meeting;
- (c) gave a brief overview of the report, highlighting
 - that following the recent Senior Management Restructure, there had been changes to job titles and roles, as detailed in Appendix A of the report. He advised that Parts 3 and 4 of the Constitution were attached at Appendices A1 and A2. These sections had been more significantly affected by the changes
 - the recommendation from the Rural, Economic and Environmental Affairs Committee, held on 7 June 2017.

Members commented that it was not possible to conduct 'searches' of the PDF version of the Constitution document and agreed that a Word version would be very useful for this purpose (even more useful than the hard copy currently sent to Members). The Monitoring Officer confirmed this could be done and suggested that in the meantime, Members could use iBooks to search the document, if they had access to this. He confirmed that the Word version would be emailed to Members and not made available online. It was also noted that some Members would like to continue to receive their hard copies, due to poor internet connection in rural areas.

There being no further comments or questions from Members it was

RESOLVED that

- (1) the consequential changes to the Constitution listed at Appendix A of the report, which were as a result of the recent Senior Management Restructure be approved and referred to Full Council for adoption into this Council's Constitution;
- (2) recommendations from the Rural, Economic and Environmental Affairs Committee held on 7 June 2017 be approved and referred to Full Council for adoption into this Council's Constitution;
- (3) the Monitoring Officer's delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes be noted. Such changes would be reported to this Committee and subsequently to Full Council, as soon as practicable thereafter.

G27. SUBSISTENCE ARRANGEMENTS

The Corporate Director

- (a) submitted a report at the request of Full Council (copies of which had previously been circulated to Members) requesting this Committee consider whether to provide refreshments before evening meetings and if so, the budget implications of doing so and refer its recommendations back to Full Council;
- (b) highlighted that a previous report on this issue, at Appendix A of this report, had been considered by this Committee on 6 June 2017;
- (c) advised that for comparison purposes, other Leicestershire Councils had been contacted to find out what refreshments they provided for Member meetings. This information was detailed in Appendix B of the report;
- (d) stated that following the last meeting of this Committee, all Members had been given the opportunity to provide comments and answer some specific questions, designed to help assess the value in providing a timeslot for informal Member/Officer discussion with or without catering. Seven Members responded and this was detailed at Appendix C of the report.

Members requested their appreciation be expressed the Senior Democracy Officer for her work on this issue.

A Member commented that they were concerned for those Officers, who had worked long hours and had to attend meetings without having eaten. They noted that a Member who travelled a great distance in order to attend meetings had advised that they were happy to have biscuits and a hot drink made available to them.

A Member advised that they were concerned about the opportunity for Officers to meet with Members for refreshments prior to the meetings, as suggested at the last meeting of this Committee and detailed at 3.4 of the report. He further commented that this may become a chore for Officers, who may be busy with other matters.

A Member stated that there would be no requirement for Officers to attend early for refreshments with Members.

Another Member commented that inaccuracies when calculating catering numbers would result in a large amount of wastage and this had been experienced previously. They noted that some Members found it difficult to eat before attending meetings and advised that they too would look forward to refreshments when, in the past they had attending meetings straight from work. However, they advised that it was difficult to understand why someone was unable to get a sandwich on their way to the meeting. He stated that he was unable to support the provision of refreshments before meetings and suggested that improved vending options would be a more favourable solution.

The Corporate Director confirmed that the vending machines option had been considered previously and proved too expensive to implement.

A Member suggested an alternative arrangement, such as the provision of unperishable items (flapjacks, raisins etc) and other Members agreed this would be a good solution.

A Member further suggested this could include healthy, long-life snacks and be trialled for six months, to assess its suitability.

The Corporate Director advised that arrangements could be put in place to facilitate this. The items would be 'ordered in', as it would not be practical for staff to have to leave the office to purchase the items.

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

RESOLVED that Full Council be asked to approve a trial for 6 months, based on an enhanced offer of non perishable snacks including healthy choices, catering for a variety of dietary needs, to be provided before all Full Council and Committee meetings, Extraordinary Council, ad hoc meetings, Task Groups and Working Groups.

G28. URGENT BUSINESS

There was no urgent business.

The meeting which commenced at 6:30 p.m., closed at 8:10pm

[Following the meeting, the Chair, Councillor Cumbers requested that the Committee's thanks and appreciation be expressed to the Corporate Director for her work and that of her Team and that this be noted in the minutes.]

Chairman