

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Monday, 15 December 2008 at 2.30 p.m.

PRESENT:	Councillor PW Topping – Chairman Councillor RT Summerfield – Vice-Chairman	
Councillors:	JD Batchelor Mrs JM Guest	NCF Bolitho
Officers:	Rob Bridge Greg Harlock Joe Brown	Corporate Manager, Finance and Support Services Chief Executive Democratic Services Officer
External:	Justin Collings Chris Harris Nigel Gibson	Grant Thornton Bentley Jennison Audit Commission

Councillor RMA Manning was in attendance.

Apologies for absence were received from Councillors FWM Burkitt and Dr DR de Lacey.

35. DECLARATIONS OF INTEREST

There were no declarations of any interests.

36. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 30 September 2008 were approved as a correct record subject to the following amendments:

Minute 22/08

On a nomination of Councillor PW Topping from Councillor RE Barrett, seconded by Councillor MB Loynes, and a nomination of Councillor JD Batchelor from Councillor Dr DR de Lacey, seconded by Councillor RT Summerfield, an election was held when there were:

Councillor PW Topping - 3 votes,
Councillor JD Batchelor - 2 votes, and

Corporate Governance Committee **RESOLVED** that Councillor PW Topping be elected to Chairman of Corporate Governance Committee for the remainder of the municipal year.

Minute 31/08

Corporate Governance Committee **NOTED** the report, recognising that the assessment criteria as proposed could effect adversely the authority's future 'Use of Resources' scores, and **AGREED** that a response be sent to the Audit Commission agreeing with the proposals in principle, whilst highlighting the need for the size of an organisation to be considered by auditors when assessing certain elements of the Key Lines of Enquiry.

37. INTERNAL AUDIT QUARTERLY REPORT

Corporate Governance Committee considered an Internal Audit progress report of RSM

Bentley Jennison. The report summarised the outcome of work completed against the audit plan and provided cumulative data in support of internal audit performance.

Members scrutinised the report and sought clarification from the Council's Internal Audit partner Mr Chris Harris.

Since the last meeting, Internal Auditors had been requested to delay the Housing Options review until the project was at a more advanced stage and to use the time allocated within the audit plan to instead review the Local Safeguarding Children Board Members Internal Control Arrangements - Self-Assessment Checklist on 'The Implementation of the Key Safeguarding Employment Standards'. The committee struggled to identify what was being reviewed.

An advisory report entitled 'Proactive Fraud', produced by Internal Auditors Anti Fraud Team as part of the CPA, was shown to having produced 43 'agreed' recommendations. Committee sought explanation of those recommendations and clarification of their 'agreed' status.

Several audits were shown as complete and awaiting a management response to draft reports. Members asked how long management normally took to comment on a draft report and were advised that 4 weeks was a normal response time. Committee stressed that the quality of response was paramount but speed of response was also important and believed 4 weeks was acceptable

Internal Auditors had allotted 15 days to the completion of the Annual Governance Statement which members thought was possibly excessive as much of the work was substantially done. Internal Auditors agreed that that 15 days might be reduced but the Chairman cautioned that much work would need to be done with regard to CIPFA guidance towards the Annual Governance Statement.

Members also asked if for future reports a comparison with past years could be included so as to allow members to make an assessment of general trends. Committee was advised that this could be possible where items were audited annually and titles were identical.

Corporate Governance Committee **NOTED** the Internal Audit Progress Report and **REQUESTED** that Internal Auditors report to:

- i. members on the terms of the review into the Local Safeguarding Children Board, Members Internal Control Arrangements - Self-Assessment Checklist on 'The Implementation of the Key Safeguarding Employment Standards', and
- ii. the next meeting of committee on the 43 recommendations contained within the recently completed *Pro-active Fraud* report.

38. EXTERNAL AUDIT REPORTS

Members considered the following reports of External Auditors Grant Thornton UK LLP.

38 (a) Data Quality

Mr Justin Collings of External Auditors Grant Thornton UK LLP presented the Data Quality Audit Report 2007/08. Corporate Governance Committee scrutinised the report and questioned the author.

The report concluded that the Council's overall management arrangements for ensuring data quality were demonstrating good performance in respect of the financial year 2007/8.

Improvements had been made during the year through formalising current processes. Further improvements were expected with the implementation of Corvu in the 2008/09 financial year. However, those arrangements had not yet translated themselves into an understanding of the outcomes from having good quality data, nor had the arrangements become embedded for ensuring good quality data from partners in the year of audit.

Working with partners would become the key area for focus in the 2008/09 assessment of data quality and being able to demonstrate effective working with partners to secure good quality data, would become essential to getting more than the basics right in the new Use of Resources assessment in respect of data quality. The perceived change in performance would arise from the fact that the new assessment was more partnerships and outcomes orientated, rather than reflecting any actual changes in the arrangements that a council had in place to secure good quality data on which to base its decision making and management processes.

For many of the items within the Action Plan the implementation date was set at March 2009. Members expressed concern that the timescale for implementing the action plan was extremely tight and wondered who would take ownership of the plan and which actions if any took priority.

The Chief Executive Officer gave an undertaking to committee that he would unpick the recommendations and attempt to achieve sufficient completion by the implementation date.

Corporate Governance Committee **NOTED** the Data Quality Audit Report 2007/08 and **INSTRUCTED** the Chief Executive Officer to ensure that the Action Plan was sufficiently robust to ensure adequate compliance.

38 (b) Use of Resources

Mr Justin Collings of External Auditors Grant Thornton UK LLP presented the Data Quality Audit Report 2007/08. Corporate Governance Committee scrutinised the report and questioned the author.

The report concluded that the Council had made improvements in its Use of Resources arrangements and performance during 2007/08 and had achieved an improved assessment rating in two of the five themes - financial management and financial standing. Arrangements for financial reporting were performing well. Internal Control and Value for Money arrangements remained adequate. External Auditors were pleased to note that that represented an increase in the overall score from a level 2 score of performing adequately to a level 3 score of performing well overall.

The report further identified significant changes to the Use of Resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The new assessment framework would be more demanding than the operative one, would be broader in scope and would embrace wider resources issues such as people, workforce planning, and the use of natural resources. It also placed more emphasis on outcomes for local people. The KLoE was to be more strategic and would focus explicitly on value for money achievements rather than processes. The Council had a strong track record on process, however demonstrating outcomes would be a significantly greater challenge. The role of members and the quality of their scrutiny in affecting outcomes would be the subject of detailed review under the new framework.

The Chairman welcomed the report, noting the overall improvement but also noting that for the future the bar was being raised and accepted that substantial effort would be needed to maintain an overall level 3 score.

The report confirmed that the authority had continued to make good quality summary

financial information available in a variety of formats appropriate to comply with duties under the equalities legislation. This had been informed by public consultation, which included consultation with the publication of an annual report, although that document had not been available during the assessment. Committee were interested as to how the assessment of the effectiveness of the consultation could be made in the absence of the document. The External Auditor explained that it was the process of the consultation that had gained the credit.

Members also sought explanation of the improved level 3 assessment that the Council had achieved following its Housing Futures Review and the long term assessment of the implications of retaining as opposed to transferring the housing stock on both the Housing Revenue Account and the General Fund. Mr Collings confirmed that arrangements for monitoring and reviewing the use of other assets, including South Cambridgeshire Hall, had become embedded within the 2007/08 financial year.

The report remarked favourably on the training being undertaken by members of partnership committees which included an update each June to ensure that new members of those committees were appropriately trained on managing business risks. Members of Corporate Governance Committee recognised that they, as those charged with governance and with special responsibility for risk management, must be continually aware and recognise any training need that members might have.

Members sought clarification of confusion contained within the report between the Code of Conduct, to which all members were signed up, and the members' 'undertaking', which 4 or 5 members had not given. Committee noted that as a result of this Auditors had concluded that it was difficult for the Council to demonstrate that members were taking the lead in ethical governance, and therefore for ensuring probity and propriety. The Council continued to be assessed at level 2, although credit had been given for the enhanced local undertaking.

The report commented that in their Corporate Governance re-inspection, the Audit Commission had assessed the Scrutiny Committee arrangements as not being effective, but recognised that additional capacity had been made available and there was a likelihood of improvement, and also that no effectiveness assessment had been completed in respect of the Corporate Governance Committee. Members noted that Scrutiny Committee were undertaking a self-assessment in February and suggested that Corporate Governance Committee might undertake its self-assessment in March 2009.

The Council was assessed as having adequate arrangements for managing and improving VFM and had achieved a level 2. Members sought explanation of this score and wondered if the authority was at a disadvantage because of its low council tax. Mr Collings explained that a level 3 score would indicate the achievement across services of cost and satisfaction targets within quartiles, adding that the Planning Service of the district authority was a relatively high cost service.

Noticing that the implementation date for most of the items contained within the action plan was March 2009, members sought assurance that the action plan would achieve timely implementation. The Corporate Manager for Finance and Support Services confirmed that a project team had met to identify any gaps in delivery of the action plan and that every effort would be made to achieve complete delivery.

Corporate Governance Committee **NOTED** the Use of Resources 2008 report, and **CONGRATULATED** staff on the improvement to an overall level 3 score, indicative of an authority performing well overall.

39. MATTERS OF TOPICAL INTEREST

Mr Justin Collings of outgoing external auditors Grant Thornton UK LLP reported that

discussions had taken place with the authority's Chief Accountant with regard to planning for the forthcoming transition to International Financial Reporting Standards (IFRS) and stressed the importance of having detailed plans in place.

Mr Nigel Gibson of the Audit Commission, incoming external auditors, commented on the work of the Audit Commission with regard to the situation of local authority deposits in Icelandic banks, which fortunately did not involve SCDC and also into clarification of the major changes to the SoRP.

40. STRATEGIC RISK REGISTER QUARTERLY REVIEW

The Chief Executive Officer presented the quarterly report on the Strategic Risk Register to enable committee to perform the quarterly review of that register and the action plans to address risks identified as being above the Council's tolerance levels, and actions being taken to achieve risk management targets.

Since the last review the HR Manager considered that the risk associated with staff retention and recruitment had diminished. In the prevailing economic climate, it had been reasoned that more suitable, professional people would come into the job marketplace. The wording had therefore been amended to reflect this and the risk had been re-assessed from C3 to C4.

Action plans to mitigate risks above the tolerance line had been updated as follows:

- (a) Embedding values: wording added to reflect agreement to hold a facilitated workshop.
- (b) Delivering the efficiency savings targets: Wording added to reflect a proposed independent high level review of the Council's services to ascertain whether further savings can be identified.
- (c) The improvement agenda: Wording added to reflect various actions being taken to continue the Council's progress.

Responses had been incorporated as appropriate in the draft strategic risk register, prioritisation matrix and action plans.

Planning for Growth

Members challenged the assessment of the risk associated with the downturn in the housing market and possible subsequent failure to realise expected house building, resulting in a consequential reduction in Housing and Planning Delivery Grant and a negative impact on the Council's financial position.

The Chief Executive Officer advised that the risk had not changed during the previous quarter but accepted that the risk might rise particularly considering the difficulty of persuading Government to support development.

Delivering the Efficiency Savings Targets

Members asked how this risk was being managed, what was being achieved and how any achievements were being realised.

The Chief Executive Officer advised that SMT had commissioned monthly progress reports in this regard and on reaching an apparent plateau, discussions had been held with internal auditors and an innovative way forward had been agreed. A confidential report was to be considered at the next meeting of EMT.

Embedding Values

The Chief Executive Officer advised committee that 'Values Sessions' held throughout the authority concluded the following day and it appeared that they would achieve their target and that this risk would fall below the Council's tolerance level.

Corporate Governance Committee **APPROVED:**

- i. the strategic risk register, prioritisation matrix and action plans, and
- ii. actions being taken to achieve risk management targets,

and **REQUESTED** that, considering the deepening economic recession, further consideration be given to the impact/likelihood score for the '*Planning for Growth*' risk item.

41. C.A.A CONSULTATION RESPONSE

Corporate Governance Committee **NOTED** the report.

42. DATE OF NEXT MEETING

Members **AGREED** that the next meeting of Corporate Governance Committee would be held on the 30 March 2009 at 9:30 am.

Closing the meeting the Chairman **THANKED** External Auditors, Grant Thornton, through their representative Mr Justin Collings for their assistance to Corporate Governance Committee, and also Mr Rob Bridge, Corporate Manager for Finance Support Services, as they were attending their last meeting.

The Meeting ended at 4:29 pm
