

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room Two, East Pallant House, Chichester, on Thursday, 27 June 2013 at 09.30am

Members (10)

Mrs P M Tull (Chairman)
Mr A J French (Vice-Chairman)

Mrs C M M Apel
Mr M Bell
Mrs P Hardwick

Mr G H Hicks
Mr R Marshall

Present (7)

Apologies for absence:

Mr T Dignum
Mr B Finch
Mr G V McAra
Mr P Over

Officers Present for all agenda items

Mrs B Jones, Principal Scrutiny Officer
Mr J Ward, District Treasurer

Officers Present for Specific Items Only

Mrs B Bayliss, Planning Obligations Monitoring & Implementation Officer
Mrs H Belenger, Accountancy Services Manager
Mr D Cooper, Group Accountant
Mr T Day, Environmental Coordinator
Mr A Frost, Assistant Director Development Management
Mrs A Huggett, Assistant Corporate Policy Officer
Mr D Hyland, Senior Community Engagement Officer
Mrs L Grange, Housing Delivery Manager
Mr S James, Principal Auditor
Ms L Le Vay, Design and Implementation Manager
Miss A Loaring, Policy Officer
Mr J Mildred, Corporate Policy Manager
Mrs S Peyman, Sports & Leisure Development Manager

Chichester District Council Members present as observers or contributors

Mrs C Purnell
Mr N Thomas
Josef Ransley

124. **Minutes**

RESOLVED

That the Minutes of the meeting held on 21 March 2013 be signed as a correct record.

An explanation of the whistleblowing incident mentioned in minute 119 was given to Mr Marshall.

125. **Urgent Items**

There were no urgent items for consideration at this meeting.

126. **Declarations of Interest**

There were no declarations of interest.

127. **Public Question Time**

No public questions had been submitted.

128. **Ernst & Young : Audit and Certification Fees 2013/14**

The Chairman welcomed Mr Mark Catlow to the meeting. Mr Catlow advised that the audit and certification fees were in relation to work which would take place between November 2013 and October/November 2014. The only change in fees was a reduction in the grant certification fees from £9,300 in 2012/13 to £6,200 in 2013/14, these fees being set by the Audit Commission.

In response to a question regarding controls, Mr Catlow replied that the external auditors rely on Internal Audit where their work is suitable to place reliance on; they do not ask Internal Audit to discharge their responsibilities. Subject to good results it was hoped they could rely again on Internal Audit work this year. Mr Catlow would update this committee early next year on the grant claims and returns requiring audit.

RESOLVED

That the Audit and Certification Fees 2013/14 be agreed.

129. **Draft statement of accounts**

Mr Ward reminded the committee that, as a result of Mr Marshall's request, the draft 2012/13 accounts were being brought to this committee for information at this point. The final audited accounts would be brought back in September. There has been a £1.4m underspend (the figure at the top of p.13 had been amended from -1,779 to -1,811). The subject was then opened out for discussion, to which the following points were made:

- Mr Ward gave an explanation of para. 3.5 of the report. Last year (2011-12) £300,000 had been set aside for bad debt provision for housing benefit overpayments. There are two methods of reclaiming overpayments. One is to

raise a sundry debtors' bill where residents have moved out of the area or they are no longer eligible for the benefit. The second is to reclaim overpaid amounts by regular deduction from on-going benefit payments. The claimed refunds under this second heading have been treated as credits on a cash basis.

Therefore we have been understating the value of debtors at year end. In order to rectify this position we have now increased the debtors figure as at 31 March 2013 by almost £900,000, but have also had to review and increase the bad debt provision for housing benefit overpayments by a similar amount, relating to both types of overpayments. This brings the combined bad debts provision to £1.2m. The overall net effect on the revenue account is £32,000 as set out in paragraph 3.4.2 of the report. The external auditors had been invited in to discuss this issue as soon as it was raised and are happy with the way it has been dealt with. Mr Marshall was concerned to understand whether controls were now in place to avoid benefit overpayment in the future. Mr Ward responded that the overpayment was roughly 1% of total housing benefit spend and mostly as a result of claimant oversight or error in reporting changes of circumstance to the council.

- Mr French was concerned at the repurposing of voluntary sector grants and contributions of £22,900 to the Targeted Support for Communities project. Mr Ward confirmed that this money was not part of the Grants & Concessions Panel remit.
- Mr Marshall advised that the detailed variances show a £1.4m underspend however p.21 of the appendix shows a £1.5m deficit. Mr Ward directed members to p.25 of the appendix which shows actuals after adjustments had been made. Mr Marshall requested that a reconciliation be included at the beginning of the accounts to clearly show the current financial situation up front. Mr Ward agreed that this would be included in the published version which will be brought back to the committee for approval in September.
- The Estates team routinely challenge Valuation Office rates on our properties and we have submitted an appeal in respect of the NNDR rating for the Novium.
- It was pointed out on p.5 of the appendix that Mrs C Purnell was not Cabinet member in 2012/13 and officers undertook to make this amendment.
- Mr Ward confirmed that there was no reserve provision in the accounts for repairs to the Westgate heating system and that it was premature to include at this stage. Utility costs had been contained in the budgets however electricity had been high in comparison to gas usage. The Council's Estates department had assessed the impairment figure for Westgate at roughly £350,000 and this had been included in the balance sheet and the adjustment is shown on page 51 of the appendix. Cllr Marshall queried the accounting treatment applied to the impairment, and Mr Ward agreed to review that.

Mrs Belenger reminded the committee that the council is working to its five year financial strategy, and the financial model which underpins this is regularly monitored and updated to ensure that the council is working to balance its budget as part of the deficit reduction plan. The model will need to be updated as better information becomes available, for example the impending management

restructure, outcomes from various services reviews and the results of the pension triennial review.

Mr Ward will sign off the accounts on 28 June, following which the external auditors will carry out their audit work. Mr Ward would report back to the committee in September 2013.

Mr Marshall congratulated the Accounting team on a succinct presentation and said it had been useful to see the draft accounts at this stage.

RESOLVED

That the draft statement of accounts for the financial year to 31 March 2013 be noted.

130. Corporate Governance : Report to Full Council

The committee considered the report circulated with the agenda. Mr James advised that he had amended App.2 to include reference to the revised Code of Conduct and Members' Register of Interests approved by Council in October 2012. He referred to the audit report on Partnerships at App.3 and advised that the annual report on partnerships was due to be brought back to the September meeting of this committee.

In response to a question regarding formal testing of major systems not having been undertaken in 2012/13, Mr Ward advised that responsibility for business continuity had recently been transferred to him. A business impact assessment needed to be carried out first and this work had been commenced.

Mrs Hardwick requested clarification of the corporate and operational risk registers and the process for their review and asked that the timescales for review be included in App.1.

Mr Ward advised that the annual spending review announced the day before had gone further than anticipated and that this, coupled with a review of the Council's pension fund contributions would mean the Financial Strategy would need to be revisited. Members questioned whether there should be caution with the statement on savings in App.1 (p.23) and Mr Ward undertook to review this wording.

RESOLVED

That the annual report on corporate governance be noted, subject to the inclusion of risk review dates (p.22) and the amended wording suggested on savings (p.23).

RECOMMEND TO COUNCIL

That the Corporate Governance and Audit Committee Annual Report be approved.

131. Carry Forward Requests

The committee considered the report circulated with the agenda.

RECOMMEND TO CABINET

That requests totalling £70,000 for budgets to be carried forward in 2013/14 be agreed.

132. Project Management Review

The committee considered the report circulated with the agenda. Mr Mildred and Mrs Huggett gave an explanation of the revisions to the project management processes suggested as a result of this review.

Mrs Tull suggested that the Cabinet Member for Finance should be involved at an earlier stage than consideration of the PID before it goes to Cabinet for approval. Mr Mildred agreed that the Cabinet Member for Finance could be involved at the IPPD stage in advance of Cabinet agreement.

Mr Marshall suggested that once the project was approved, if the level of benefits due to be achieved by that project was expected to decrease or become less than expected, that Cabinet should be requested to agree to this reduction in benefits.

Mr Ransley advised that CMT and Cabinet would have responsibility for projects and that they would receive monthly exception reports for projects not progressing to time and budget.

Mrs Hardwick requested that a mechanism be included in the guide with regard to an 'urgent' project and a mechanism to allow this to fast track through the procedures for approval. Mr Mildred advised that the Constitution prescribed financial powers for urgent projects.

RESOLVED

Agreed that governance and risk arrangements had been addressed in the review of Project Management.

RECOMMEND TO CABINET

- 1) That the proposed improvements to the Council's project management process be put in place subject to the following changes:
 - a) The Cabinet Member for Finance is involved earlier in the process – after CMT considers the Initial Project Proposal Document for large scale projects and before Cabinet is asked to agree this.
 - b) If the level of benefit resulting from a project is expected to be less than originally agreed, that this is considered and agreed by Cabinet
 - c) A statement is made in the guide relating to the process for 'urgent' projects with extenuating circumstances which may need to be fast tracked.
- 2) That the revised Project Management Guide and supporting documents be approved.

133. Overview and Scrutiny Annual Report 2012/13

The committee considered the report circulated with the agenda. Mrs C Apel, the Chairman of the Overview and Scrutiny Committee (OSC), presented the OSC's annual report. She reported on her recent attendance at the Centre for Public Scrutiny's annual conference when annual awards were made to authorities who had carried out exemplary examples of scrutiny. The awards were made to a cross section of authorities - district, metropolitan borough, city and county councils. Most of these awards had been in relation to scrutiny of issues of concern to local people e.g. access to credit, migrant workers, men's health, flooding, etc. which involved inviting in external organisations and partners to question them.

In response to a question from the Chairman, Mrs Apel responded that the Standing Panels for Health and Crime had been disbanded and that one-off scrutiny reviews were now being handled by task and finish groups, one of which was the Budget Task and Finish Group which would meet again in December 2013 and which involved members of this committee.

RESOLVED

That the Overview and Scrutiny Committee Annual Report 2012/13 be noted and commended to Full Council for approval.

RECOMMEND TO FULL COUNCIL

That the Overview and Scrutiny Committee Annual Report 2012/13 be approved.

134. S106 Annual Report 2012/13

The committee considered the report circulated with the agenda. The Chairman welcomed to the meeting Mr M Bleakley, Planning Service Development Lead, South Downs National Park Authority, Ms Elaine Munns, Team Manager, Strategic Planning Division Communities and Infrastructure, West Sussex County Council and the Council's service leads attending for this item.

Mr Bleakley gave an account of the S106 monitoring process at the SDNPA saying they are currently using the IT application Uniform but are considering using Obligation Tracker in future. Effective partnership working is essential; there are differences in some of the ways that both organisations work and the Local Plan for both areas are also developing at different timescales. With regard to Centurion Way, Mr French advised that grants had been given and were still available but that these grants may not extend into the National Park area.

Ms Munns described S106 processes at WSCC, working with the seven district/ borough councils in dealing with contributions in relation to highways, education, the Fire & Rescue Service and libraries. Communication is carried out with parishes through CLCs for spending highway money and agreeing suitable schemes, however it is possible that district councillors are not directly involved. In the Chichester area all education contributions are currently focused on the Graylingwell development. The libraries are installing terminals which will free up staff and resources. It is the intention of the Fire & Rescue Service to build two or three large projects in the southern half of the County which will serve the Chichester area. The school academies in the Chichester area have offered extra

places to children so there is currently spare capacity at some of the secondary schools throughout the County. WSCC processes for calculating planning obligations are well-established, with many of the policies having been tested successfully at appeal. For calculating education sums a base multiplier which is published nationally is used, with a local weighting factor of 1.06 added to reflect regional variance.

Ms Le Vay then presented the various reports to the committee. Members were advised to replace pp.85-86 of the main agenda with the amended tabled sheet. The following was discussed:

- Farris Field (p.89) – Mrs Apel requested an update on this spend due by 29 January 2013. Mrs Peyman advised that bus shelters are being followed up with WSCC and it is hoped to resolve this over the next couple of months.
- 34 Hay Road, Chichester (p.110) – Parklands Primary School was not within the area; WSCC education spend is based on localities so this does not necessarily mean the nearest school.
- Roussillon Barracks (p.83) – Mr Day advised that the contribution of £44,993.44 was not going to the Harbour Conservancy but to activities around protection of the harbour e.g. dogs on leads, education awareness, etc. through working with the Manhood Wildlife Group. A report would go to Cabinet later in the year to seek an extension to the project and explain what the monies would be used for. Consultees on the project were Natural England and Graylingwell (which Roussillon had been modelled on). A Solent-wide mitigation project would be set up in the next few years.
- Shippams Factory (p.85) – The Homes & Communities Agency has come up with grant funding for registered providers in respect of affordable housing in the past, and although government grant funding has been significantly reduced, there are fewer opportunities to fund affordable housing as registered providers are cutting back on development. However, officers are currently in early stage discussions with registered providers to potentially fund an additional 39 affordable homes utilising commuted sum funds.
- Southbourne – Mr Hicks had not seen anything in the reports relating to Southbourne. Ms Munns advised that there was a 20's plenty campaign in Southbourne using planning contributions. Mrs Bayliss advised that she would double check and respond to Mr Hicks following the meeting.
- Portfield Football Ground (p.125) - Mr French was concerned that, as ward member, he did not appear to have been consulted on these negotiations, however it was pointed out that this planning agreement went back to 2008.
- Mrs Hardwick was very pleased to see non-financial contributions (by ward) included in this report following her request when considering the S106 annual report at the June 2012 meeting. She was concerned that, unlike financial contributions, these non-financial contributions did not have a trigger date to monitor to and suggested that this be included. Mrs Hardwick requested that the protocol be amended to include reference to non-financial contribution trigger points and a description of how these are monitored.

RESOLVED

- 1) That that the S106 annual report 2012/13 be noted.
- 2) That the revised S106 Protocol be noted and that reference to non-financial trigger points and the monitoring process for non-financial contributions be included.
- 3) That the current level of reporting is maintained.

135. Internal Audit Report and Audit Plan Progress

The committee considered the report circulated with the agenda. Mr S James advised that three reports had been placed on the Members' Bulletin Board, namely Bank Reconciliation, Fraud Prevention and Customer Service Centre and that no comment had been received from members.

An update on the recommendations from the 2012/13 audit report on Car Parks had been due to come to this meeting of the committee. However with the service subject to a recent change in management and a corporate service review pending it was suggested that the outcomes from this review and the next phase of the car parks audit be delayed and reported to the committee when complete.

RESOLVED

- 1) That the audit reports on Bank Reconciliation, Fraud Prevention and Customer Service Centre be noted.
- 2) That progress against the Audit Plan 2013/14 be noted.

(Note: The meeting closed at 12.21pm)

(Chairman)

Date: _____