



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2 - East Pallant House on Tuesday 16 October 2018 at 9.30 am

**Members Present:** Mrs P Tull (Chairman), Mrs P Plant (Vice-Chairman), Mr J Brown, Mrs N Graves, Mr F Hobbs, Mr S Lloyd-Williams, Mr K Martin and Mr P Wilding

**Members not present:** Mrs P Hardwick and Mr S Morley

**In attendance by invitation:** Mr K Suter (Ernst & Young LLP) and Mr J Jones (Ernst & Young LLP)

**Officers present:** Mrs H Belenger (Divisional Manager for Financial Services), Mr A Buckley (Corporate Improvement and Facilities Manager), Mr S Davies (Planning Obligations Monitoring and Implementation Officer), Mrs F Delahunty (Divisional Manager for Customer Services and Land Charges), Mrs K Dower (Principal Planning Officer (Infrastructure Planning)), Mr S James (Principal Auditor), Mr J Mildred (Divisional Manager for Corporate Services), Mr T Radcliffe (Human Resources Manager) and Mr W Townsend (Health and Safety Manager)

## 209 **Chairman's Announcements**

Apologies had been received from Mrs Hardwick and Mr Morley.

## 210 **Approval of Minutes**

The following amendments were requested:

- Minute 200 – the second line from the end of the page to read ‘at its last meeting’
- Minute 201 – resolution 3 to read ‘...that the details of non-financial S106 obligations...’

## **RESOLVED**

That the minutes of the meeting held on 26 July 2018 were agreed and signed as a correct record subject to the amendments above.

Matters arising:

- Minute 199 - Under the subscription held by the council Mrs Belenger planned to circulate the ‘Audit Practical Guide’ to members of the Committee.

- Minute 202 – With regard to the Safety Advisory Group and partnership working Laurence Foord, Divisional Manager is the Chairman which ensures the partnership group receives the appropriate level of support. It is anticipated that an promotions and events officer post will be advertised in the next few weeks.

#### 211 **Urgent items**

Mrs Tull explained that the Committee is required to appoint three members to the Budget Task and Finish Group which will take place in December. It was agreed that the membership would be decided under late items.

#### 212 **Declarations of Interest**

There were no declarations of interest.

#### 213 **Public Question Time**

There were no public questions.

#### 214 **Annual Audit Letter 2017-18**

Mrs Tull welcomed Mr Jones and Mr Suter from Ernst and Young.

Mr Suter explained the purpose of the audit letter to provide a backwards looking audit summary for the public. He drew attention to the executive summary and confirmed that an unqualified value for money conclusion had been issued on 31 July 2018. He outlined plans for the council to make an early start on the audit process in May 2019 and acknowledged the support of Mrs Belenger and her team for agreeing to work to this earlier deadline. Mrs Belenger confirmed that this was an achievable target as the team had achieved early completion this year. Mr Suter then outlined the various sections of the audit letter drawing attention to new accounting standards outlined in section six; understanding the impact on the authority, and how this impact will be considered and addressed and accounted for over the coming months in preparation for the audit for 2018-19. He also outlined a new standard for leases due to come into practice in 2019/20 and explained that given the expectation that the new standard would be adopted it would be necessary to consider the council's current processes and records as part of this year's audit. With regard to section seven Mr Suter clarified that the audit fees were yet to be finalised and the additional fee was awaiting approval.

Mr Jones and Mr Suter responded to members questions explaining that the classification of assets remained uncertain and the management statutory override decision implementation remained unknown. With regard to stress testing of the accounts it is not a responsibility of Ernst and Young. Ernst and Young are responsible for the analysis of arrangements, consideration of value for money for the tax payer and looking at the budget and medium term strategy. With regard to the identification of risks no risks had been found over the last couple of years. It was also confirmed that the change in leases would only affect the council as a lessee.

## **RESOLVED**

That the key issues arising from the work of the council's external auditors on the 2017-18 Accounts in the Annual Audit Letter from Ernst & Young LLP be noted.

Mrs Tull thanked Mr Jones and Mr Suter for attending the meeting.

### **215 Financial Strategy and Plan 2019-20**

Mrs Belenger introduced the item and explained that this year's report would help prepare for the budget cycle process as it places a greater focus on the key financial principles and sets out how the issues and risks will be addressed. She clarified the requirement for the Committee to agree a minimum level of reserves and confirmed the recommendation from the Director of Corporate Services to maintain the minimum level of reserves at £6.3 million. Mrs Belenger explained that part of financial planning includes updating the five year Financial Strategy Model with the latest information and forecasts to ensure a robust process to ensure that the legal requirement to set a balanced budget is met. So far the Model had been updated with the Deficit Reduction programme showing £3.3 million of the £3.8 million approved in 2016 had been achieved so far. With regard to appendix 1 Mrs Belenger clarified changes had been made to the narrative and actions to take account of the changing landscape in which the council operates. She also confirmed that the council had been put forward to take part in a pilot of 75% business rates, the outcome of the bid would be announced in December at the same time as the provisional financial settlement.

Mrs Belenger responded to members questions. With regard to section 5.3 of the report officers remain in contact with West Sussex County Council (WSSCC). Any resulting impact on service delivery would be considered as part of the budget cycle. The Cabinet will receive the budget in February 2019. With regard to the council's reserves it would be unlikely that central Government would attempt to reclaim any of the funds as approximately £29 million has been put aside for specific purposes. It is however possible that if the funding regime from central Government changes this could impact the distribution of funding amongst the local authority tiers. If it was necessary the council, it is able to consider the use of New Homes Bonus funding to help in the short term to balance its revenue budget as this funding is not ring fenced. With regard to charging for services this should be in accordance with the Council's Fees & Charges policy, and the drive to act more commercially has been considered as senior officers have received commercial training. With regard to section 7 of the report sickness absence levels have been considered and action is being taken as the relevant policy documents and associated triggers are to be amended.

#### **RECOMMENDED TO THE CABINET:**

1. The updated key financial principles in Appendix 1, which underpin the council's aim to set balanced budgets without the use of reserves, except where necessary in the short term and;
2. In the short to medium term that the Council maintains a minimum level of reserves of £6.3m for general purposes.

Mr Townsend introduced the item. He explained that the annual report is a position statement looking back over the last financial year and making comparison with the last two financial years.

Mr Townsend confirmed that a number of business continuity health checks had taken place with managers to plan for incidents lasting three days and three days and beyond. Suggested changes were taken into account and the relevant documentation saved on the x drive and uploaded to an externally hosted website. A critical staff list continues to be maintained and holds the details of around 100 members of staff. The document is accessible if IT were lost. The IT team have also been researching cloud storage for key documents however at present these documents are held on the desktops of the appropriate members of staff. Mr Townsend confirmed that the loss of the server room at East Pallant House (EPH) remained a concern as it could take up to three months to reinstate the council's critical software. He clarified that software hosted offsite would not be effected. Current mitigation includes email continuity to provide staff with the ability to email each other, environmental monitoring of the server room (IT receive notification of any problems), security around the server room and a bespoke gas dosing system to reduce a fire quickly. Mr Townsend confirmed that senior managers were in the process of discussing the installation of a secondary server either at the Depot or at EPH if the main server was moved to the Depot.

Mr Townsend and Mrs Belenger responded to members questions relating to business continuity. It was confirmed that applications and data are backed up on daily basis on site and stored offsite weekly. As part of business continuity plans housing benefit payments and staff salaries would still be paid (this has been tested up to the point of not transferring the costs involved). Mr Wilding added that a PID to implement a second server is due to be discussed by the Cabinet at its meeting in either November or December. With regard to the power feed into the building it was confirmed that there is a back-up generator. If the council were to suffer a loss of the building staff would, where possible, be expected to work remotely. In addition space for 50 staff would be created at the Depot and the Estates team would work with the insurers to find suitable permanent accommodation. WSCC would also provide a face to face interview room and reception area within the city centre. With regard to wider county/country wide problems they would be addressed by a wider emergency planning network as the CDC environmental health team only cover incidents within the district. With regard to critical staff on leave, each member of staff has a deputy or deputies.

Following a number of questions regarding cloud storage Mr Wilding outlined plans for a new IT Task and Finish. He explained that the idea for the Group had been raised at the Overview and Scrutiny Committee and members would meet to address specific IT issues. Mrs Tull suggested Mr Lloyd-Williams and Mr Hobbs be considered due to their IT backgrounds.

Mr Townsend then outlined the health and safety update from the report. He explained that in 2017/18 the total number of accidents, incidents and near misses came to 92 which was down 9% on the previous two years. Mr Townsend emphasised that the Health and Safety team actively welcome reports of near

misses to help prevent future accidents. He confirmed that during the 2017/18 period the main cause of accidents had been trips, slips and falls with more incidents taking place for CCS staff. There were two RIDDOR's which Mr Townsend explained is to be expected due to the nature of the work at the Depot.

Mr Townsend then outlined the Safety Watch scheme which has been running for a year. He explained that the scheme acts as a monitoring system to ensure compliance with procedures. In the past year the Health and Safety team have visited every Depot crew at least once. Each crew received an instant summary report and was issued with a colour coded card to indicate their level of compliance (green = good, yellow = areas to improve and red = areas of non-compliance). Mr Townsend was pleased to report no red cards had been issued to date. The next step would be to extend the monitoring to the Grounds Maintenance staff.

Referring to section 6.5 of the report Mr Townsend explained that a variety of health and safety training had been carried out either by the internal Health and Safety team or by external trainers including sessions with the new Divisional Managers.

Mr Townsend responded to members questions relating to health and safety. He agreed to note concerns relating to the procedure for handling broken pass activated doors following an injury that had been reported. With regard to comparing results with other local authorities Mr Townsend explained that he is part of a Health and Safety Officers locality network where results are compared anecdotally on a quarterly basis. With regard to section 6.3 the animal injury was confirmed as a wasp sting.

## **RESOLVED**

That the council's arrangements in place for monitoring and controlling the risks associated with health and safety and business continuity matters be noted.

The Committee took a short break.

## **217 S106 Annual Exceptions Report**

Mr Davies introduced the report and was joined by Mrs Dower. Mr Davies explained that the report outlines expired S106 agreements or those within 24 months of expiry. The data in the appendix is extracted on a quarterly basis and shared with SLT. Mr Davies clarified that generally S106 agreements have a 10 year deadline however, if no deadline is specified at the time the agreement is signed then the council applies a five year notional date as the developer can seek to vary an agreement after 5 years. Referring to the appendix to the report he explained that the 'Allocated' column relates to projects which have been approved in accordance with the S106 protocol The 'Remaining & Unallocated' column represented monies where no project had been approved and it is these contributions that needed greatest focus to ensure they are spent by their deadline. The council only pays for a project once it has been delivered. A project can be in the process of delivery at the time of the deadline date which is acceptable and there are clauses within the S106 agreements to provide for this. Mr Davies confirmed that there were no overdue financial receipts.

Mrs Tull read a statement from Mr Oakley containing a number of questions including whether an invoice had been received for the Tangmere Parish Council allotment fencing and whether enforcement action would be taken on the Meadow Way site and the former Hanger Space site. Mr Davies confirmed that no invoice had been received but he understood that the project had been delivered and officers had chased the Parish Council for the invoice. With regard to the enforcement cases a site visit had taken place at the Meadow Way site the previous week with a detailed response and timescales for outstanding works expected from the developer shortly. Miller Homes are currently undertaking further works on the former Hanger Space site to rectify defects identified at a recent inspection and enforcement officers continue to monitor.

Mr Davies responded to members questions. With regard to enforcement of S106 agreements the council would be required to go to court to start enforcement procedures. With regard to unspent S106 money it was confirmed that any monies not spent by expiry need to be returned to the developer. It was also confirmed that the council's staff are in regular contact with staff at the South Downs National Park.

### **RESOLVED**

That the contents of the report concerning section 106 agreements nearing their expenditure date (as set out in Appendix 1) be noted.

### **218 Complaints, Freedom of Information Requests and Data Protection Analysis - 2017/18**

Mrs Delahunty introduced the item. She explained that the revised Complaints Scheme reflects recent changes in the council's management structure and seeks to amend the response time for stage 2 complaints to allow 15 days for more complex cases. Mrs Delahunty also outlined revisions to the Complainant Behaviour Scheme and the Call Recording Scheme. She confirmed that 160 complaints had been made to the council. Two of the complaints were upheld by the Ombudsman and had resulted in appropriate action being taken. With regard to Freedom of Information (FOI) requests the level of requests remains similar to last year although the number of housing requests increased following Grenfell Towers. Mrs Delahunty was pleased to inform the Committee that 105 written compliments were also received. She outlined plans for telephone compliments to be recorded in the coming year with figures made available for next year's report. With regard to General Data Protection Regulation (GDPR) 17 requests have been received from members of the public since the legislation went live.

Mrs Delahunty responded to members questions. With regard to the impact of the additional housing requests on officers time each request is logged and the contact centre monitor frequent requests and where possible place information on the website. With regard to not recording calls when a member of the public calls the contact centre they are informed that the call will be recorded but they can choose to hang up if they would prefer to submit their enquiry by email or letter. If bank details are required for a payment the contact centre operates software which automatically cuts the recording of that section of the call. Officers are unable to manually turn off a recording as additional software would be required. It was confirmed that no such request had been made in the last eight years. With regard to storage of recordings they are held for six months and then automatically deleted by IT unless they are in

use for an investigation and an extension has been granted by the council's Data Protection Officer.

## **RESOLVED**

1. That the revised complaints scheme be agreed;
2. That the policy for the management of unreasonable complainant behaviour to support the revised complaints scheme and to follow best practice as per Local Government Ombudsman be agreed and;
3. That a call recording policy to support the complaints scheme and to comply with the GDPR be agreed.

### **219 Progress Report - Audit Plan**

Mr James introduced the item. He was joined by Mr Buckley and Mr Radcliffe to discuss the Building Security Audit. Mr James explained that there had been a lack of continuity in the removal of security passes resulting in six main areas of improvement. Mr Buckley clarified that previously overall responsibility for the security passes had been held by one team and the day to day running with another. He confirmed that the areas of concern had now been addressed. Mr Radcliffe added that it had become an immediate urgent priority for the HR team to remove all expired passes from the system and that this has now been completed. Different coloured badges and lanyards are in the process of being issued for staff, contractors and visitors. All new staff passes will be time limited to three years.

Mr Buckley and Mr Radcliffe responded to members questions. With regard to concerns about the security passes complete control has been restored and new passes will be issued to existing staff with the appropriate time limits. Mr James confirmed the audit deadline for the resolution is 31 December 2018 and a follow up report will be undertaken in the new year. With regard to leavers returning passes an e-form should be completed by the relevant manager which includes a section to confirm the pass has been returned to HR. With regard to contractors passes they should be handed back to the customer services team at the end of the day and if not returned the appropriate manager should be contacted to resolve the issue. Following the elections non-returning members passes will be terminated. Security passes will be explained to all members during next year's induction sessions.

Mr James then explained that the follow up audit at the leisure centre had taken place. He drew attention to the annotated action plan in appendix 1.

Mr James was then joined by Mr Mildred. Mr James explained that the IT security audit had been deferred following the Shared Services project and to allow time to appoint a new IT Manager. No outstanding issues remain but the actions set would be monitored to ensure implementation.

Mr James and Mr Mildred responded to members questions. With regard to the past records of IT assets a historic record had not been maintained however a full record of the current assets has been completed and will be maintained going forwards. With regard to coding assets it was agreed that barcodes would be considered for the future.

Mr James then outlined the Southern Gateway Position Statement. He explained that audit would be keeping a watching brief over expenditure incurred.

Members had no further questions.

#### **RESOLVED**

That the Audit Reports, Follow Ups, Position Statement and progress against the audit plan be noted.

#### 220 **Strategic Risk Update**

Mrs Belenger introduced the item. She highlighted the key changes on the strategic risk register in relation to the risk scores for CRR1 Financial resilience and CRR 145 Data Protection Act Breach of Data – Data Loss which had increased from risk scores of 4 to 6 since the Committee last reviewed the registers. In addition a new risk for Brexit had been added to the register. Mrs Belenger also highlighted that there were no high scoring risks for the programme board risk registers.

Mrs Belenger responded to members questions. With regard to whether climate change should be added in light of the recent Global Climate Action Summit, this issue would be considered at an operational level by the environmental protection team. The request that in light of the current status of the Brexit negotiations that the position and potential impact paper for Brexit should be completed as soon as possible and shared with members was noted. With regard to the Business Continuity arrangements for ICT and the options available different solutions could provide resilience at a cost without the need for the major investment for the in house solution that seem to be being considered. It was confirmed that the ICT manager, Andrew Forward, would be reviewing the options as part of the ICT strategy which is currently being drafted.

#### **RESOLVED**

That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks and both the high scoring programme board and organisational risks, and the mitigation actions in place be noted.

#### 221 **Late items**

Mrs Tull sought nominations for the Budget Task and Finish Group.

#### **RESOLVED**

That Penny Plant, Tricia Tull and Peter Wilding be appointed to the Budget Task and Finish Group 2018.

The meeting ended at 12.12 pm

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CHAIRMAN

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Date: