



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 29 June 2017 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr G Hicks, Mr F Hobbs and Mr S Morley

Members not present: Mr P Wilding

In attendance by invitation: Mr M Young (Ernst & Young LLP) and Ms E Munns (West Sussex County Council)

Officers present: Mrs H Belenger (Accountancy Services Manager), Mr N Bennett (Legal and Democratic Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr S Davies (Planning Obligations Monitoring and Implementation Officer), Mrs K Dower (Principal Planning Officer (Infrastructure Planning)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Mrs S Peyman (Sport and Leisure Development Manager), Ms S Shipway and Mr W Townsend (Health and Safety Manager)

126 **Chairman's Announcements**

The Chairman welcomed all to the meeting. She wished to welcome the two new members of the committee – Mr Jonathan Brown and Mr Peter Wilding. Mr Wilding had given his apologies for this meeting.

127 **Approval of Minutes**

The minutes of the meeting held on 30 March 2017 were agreed as a correct record subject to the following amendment:

- Minute 122, final bullet point – replace 'Manhood Peninsular' with 'Manhood Peninsula'

128 **Urgent items**

There were no urgent items for consideration at this meeting.

129 **Declarations of Interest**

No declarations of interest were recorded.

130 Public Question Time

No public questions had been received.

131 Audit and Certification Fees 2017-18 - Ernst & Young LLP (EY)

The committee considered the report in the agenda (copy attached to the official minutes).

Mr Young (Ernst & Young LLP) presented the report. Mrs Belenger also responded to questions from members.

Mr Young advised that Public Sector Audit Appointments Ltd (PSAA) were still busy with the retendering exercise therefore the 2017-18 indicative fee had not yet been released however the 2016-17 fee should be used as an indication. EY had been awarded Lot 2 in the tendering exercise by PSAA. Auditors would be appointed for a period of five years by PSAA after any necessary consultation with individual authorities, by 31 December 2017 at the latest. .

The committee made the following comments and received answers to questions as follows:

- If the PSAA decides to rotate auditors it may be that EY will not be our auditors going forward.
- An increase in the inflation rate would not be something which would trigger a fee increase.

RESOLVED

That the Ernst & Young LLP Audit and Certification Fees 2017-18 be noted.

132 Audit Progress Report 2016-17 - Ernst & Young LLP

Mr Young gave an oral update on the progress of the 2016-17 audit.

He advised that everything was on track; the early testing and controls testing had been completed and there was nothing of significance to report to the committee. Plans were in place for the grant certification testing – the housing benefit claim had progressed well with testing carried out in April. The statutory accounts and audit results report would be reported to the committee in September with the grants certification report later in the year.

133 Corporate Debt Recovery Policy and Write-Off Policy

The committee considered the report in the agenda (copy attached to the official minutes).

Mrs Belenger introduced the report, drawing members' attention to one of the actions from the Estates report at the last meeting which was to develop a Write-off Policy hence this report which included an amended Corporate Debt Recovery

Policy. This was a coordinated approach to dealing with those who had debts with the Council, specifically those who had multiple debts. This debt recovery policy had been updated and the Communities team had been consulted for their views on financial inclusion and to incorporate a definition of a 'vulnerable person'. The policy contained minor procedural changes and governance arrangements but no changes of a financial management nature.

The Constitution sets out the delegation to the Head of Finance & Governance (Section 151 officer) to write off any debts considered to be irrecoverable. The write off policy was setting out a scheme of delegation agreed by the Head of Finance & Governance which allows specific officers to write off smaller irrecoverable debts. The Write-off Policy sets out what determines a justifiable reason to write off an irrecoverable debt and the procedure to manage this process.

The Corporate Debt Recovery Policy with track changes was available to those who wanted to refer to it.

Corporate debt Policy

- Some members thought that there was a lack of clarity as a policy document and suggested that the primary aim on page 10 could be made clearer by perhaps being set out under four headings e.g. promptness, fairness, facilitating process and a coordinated approach.
- More information on financial inclusion would be included from colleagues when their work on this is finalised. A light touch approach had been carried out this time and further amendments would be included with the next review of the policy.
- Page 11, third para under Arrangements for repayment of arrears - the 'consequences with a view to minimising the effects' section to be reworded slightly to read 'the potential consequences of non-payment of the debt'.
- Page 11 - the final bullet point should be split into two.
- An annual report on write-offs is published to the modern.gov library.
- Accountancy assess the adequacy of the bad debt provisions required for debts owed to the council, such as housing benefit overpayments during the budget cycle and final accounts processes. The top 10 debtors of the Council are reported to Mr Ward as S151 Officer and aged debts reports are looked at on a quarterly basis.
- It is not down to the service to approve a write off as it is the Revenue recovery teams view to recommend any write offs to Mr Ward after consultation with the Exchequer and Legal Services. Council Tax and Business Rates debts are considered by the Revenues Manager. All write-offs under the scheme of delegation will be reported to Mr Ward who will have oversight of the entire process.
- Page 14 – amend 'people who appear to have mental health issues...' to 'people who may have mental health issues...'
- Include details of the Council's outstanding debt which would give an indication of the amount of effort we should be spending on getting the policy right and the trends as well as details of those who are writing the debt off.

Write-off Policy

- The Council's normal invoicing and reminder procedure includes a trigger to alert the service area that service provision should be stopped due to non-

payment of invoice(s) e.g. trade waste. The Revenue Recovery team, in liaison with legal services, will take each circumstance into account when determining whether a debt will be re-instated, including grounds of vulnerability.

- Page 18 - add a definition of irrecoverable debts and the procedure in relation to writing off.
- We do not currently compare ourselves with other local authorities in respect of write-offs as this would depend on which services other authorities may offer. However this would be considered.
- The Community Services team liaises with outside agencies to offer support to vulnerable people. The Citizens Advice Bureau has a good practice guide which has been taken into account in the preparation of this document.
- As a corporate body we share information on debts as appropriate between services internally and there is no data protection issue as we do not share this information externally.
- We distinguish between those who are unwilling to pay and those who are unable to pay. We use tracing agencies when we have exhausted all avenues and write off the debt if it is deemed irrecoverable. If the absconder is subsequently traced we would make a decision as to whether to reinstate the debt if it was still within the time limit.
- Request to include the reasons for the debt write off in reporting to Mr Ward.

RECOMMENDED TO CABINET

That, subject to the inclusion of the amendments raised above, the updated Corporate Debt Recovery Policy and the Write-off Policy be approved.

134 Treasury Management 2016-17 Outturn Report

The committee considered the report in the agenda (copy attached to the official minutes).

Mr Catlow presented the report.

The committee made the following comments and received answers to questions as follows:

- There is a lot of uncertainty over Brexit and we will be guided by our treasury management consultants. We will be in a depressed interest rate market for the foreseeable future.
- An explanation of traffic light system was given. Request was made to include this clarification in future reporting.
- The Investment Protocol approved by the Council gives priority to investments within the district area however opportunities to acquire properties elsewhere are not excluded. Investments in estates are considered by estates officers and opportunities tended to be concentrated in an area due to demographics and/or business.
- Capital expenditure is £1.6m less than the estimate and described as 'variations and underspends' including slippage of some schemes.

RESOLVED

That the final Prudential Indicators for 2016-17 to 2021-22 as detailed in appendix 1 to the report be noted.

RECOMMEND TO CABINET

That the 2016-17 Treasury Management Outturn Report be approved.

135 S106 and Community Infrastructure Levy (CIL) Annual Monitoring Report

The committee considered the report in the agenda (copy attached to the official minutes).

Mrs Dower presented the report. Mr Davies and Ms Munns (WSCC) were available to answer questions. Mr S Oakley (district council member) was permitted by the Chairman to ask a number of questions.

Mrs Dower reminded members that this was the full S106 annual report and that the committee also received a report in November each year on those S106 agreements coming up to their target spend date. Reports were also produced by ward in March and September each year for members to access on the Council's intranet.

The number of S106 agreements produced over the last year had been scaled back as the new CIL regime was introduced. New this year was the CIL monitoring report, which would be included with the authority's monitoring report published in December each year.

The committee made the following comments and received answers to questions as follows:

- Land rear of Premier Business Park – this is in relation to a recreation disturbance payment paid at the outset under a unilateral undertaking (which is the route most developers choose). If the application is refused then the money is returned to the developer.
- Request to show greater transparency in what has been achieved from S106 and CIL payments. Members were reminded that the role of this committee was to review governance and ensure processes were adequate to ensure that this procedure ran smoothly. The ward reports gave more detail on the outcomes achieved.
- Members were concerned that their parish councils appeared not to have knowledge of the S106/CIL processes. It was suggested that this should be picked up through the biannual parish council meetings arranged by the authority. Forums are held in the local areas – a request for an agenda item will be passed to relevant officers running these forums.
- There was concern regarding communication by the South Downs National Park (SDNP) to its parishes and the district councils regarding S106/CIL arrangements. Members were advised that the Overview and Scrutiny Committee had made a recommendation to the SDNP at its last meeting regarding the development of a Communications Protocol. Officers undertook to add a sentence under the background section of the covering report regarding

the difference between the South Downs National Park and the Council's administration of S106/CIL agreements.

- It was suggested that any concerns were passed to Mr M Dunn, the authority's representative on the SDNPA.
- The non-financial obligations report was considered too lengthy. It would be useful if specific points could be highlighted in the body of the covering report e.g. where developers were unwilling to deliver their obligations.
- Concern that once planning permission was granted officers were deciding how the money was spent in the S106 agreement without consulting with the local community. An example was the Shopwyke Lakes scheme where road junctions had not been included in the S106 agreement.
- Concern by members regarding the lack of transparency of decision making regarding how and why S106/CIL money is allocated by WSCC to education, libraries, highways and fire services and why contributions are spent on settlements away from the one which took the development. Ms Munns advised that WSCC had its own transport plan and schemes within it were funded through S106 contributions, as well as smaller schemes where they want to improve the highway and thirdly community schemes where district councillors have an opportunity to put schemes forward. Allocation of S106 contribution spend on education projects is signed off by the Cabinet Member and the factors considered are the ability of the school to expand, the locality including the main secondary school and all of its feeder primaries, good Ofsted reports etc. The contribution due was based on the number of houses within a locality taking up development. WSCC conveys this information to the planning authority which collects the money and holds it until WSCC are ready to spend the money.
- A problem is the requirement to spend small tranches of money on small projects rather than benefit from saving up for bigger projects due to the need to spend this money by the time limit.
- Queried how the risk criteria was quantified; this would be included in future documents.
- Queried the monitoring arrangements in place for A27 contributions which are a significant part of the local plan scheme of works for the bypass; was Highways England collecting it and what were the time limits? Within the S106 agreement there is usually an obligation for the developer to enter into an agreement with Highways England; we follow up on this to ensure that the agreement is entered to and we are holding some monies at the moment. Mr Davies undertook to respond to the committee on whether this was subject to the same time limit as other S106 agreements.
- Page 13 in the appendix pack – Land West of the Old Army Camp – Mr Davies undertook to come back to the committee with an answer on this contribution.
- CIL is working very well. It is a tax and non-negotiable. We have far reaching powers to take enforcement and have won two recent appeals. The Infrastructure Business Plan is subject to discussion by the County/District group of officers, the Infrastructure Joint Member Liaison Committee and the Development Plan and Infrastructure Panel before going on to Cabinet and Council for approval. Unlike the S106 contributions CIL is flexible to take account of changing circumstances. It is down to the district council what the money is spent on and is not time limited. CIL money does not go back to the developer. CIL and S106 work together. S106 is related to mitigating the

impacts of a particular planning application whereas CIL is collected for the cumulative impact of developments. Many schemes pay both contributions.

- Parishes receive their CIL money twice a year. Parishes with a neighbourhood plan get 25% with 15% going to parishes without one. They are required to spend their money within five years of receipt, however if they share their spending schemes with us and we understand they need longer to raise other funds we would not ask them for it back.
- Contributions reflected against Park and Ride – although the main scheme was not progressed, this money has been spent on smaller park and ride schemes, usually over the Christmas period.

RESOLVED

- 1) That the income and expenditure between 1 April 2016 and 31 March 2017 in respect of S106 contributions and CIL be noted.
- 2) The information on S106 agreements within two years of the expenditure target date as set out in appendix 4 be noted.
- 3) The details of non-financial S106 obligations as set out in appendix 5 be noted.
- 4) The monitoring information required by the CIL regulations as set out in appendix 6 be noted.

136 Corporate Health & Safety and Business Continuity Management

The committee considered the report in the agenda (copy attached to the official minutes).

Mr Townsend presented the report.

The committee made the following comments and received answers to questions as follows:

- This data covers roughly 600 members of staff and casuals.
- Relatively few accidents are caused by slips and trips on highways, pavements, potholes etc. taking into account the work by the CCS operatives.
- Request to declare the cost of any litigation against us to show the link with the investment we are making. The authority declares to its insurer certain measures to aid risk management or where the business is changing e.g. CCTV on refuse lorries, the Safetywatch Scheme etc. in order that lower insurance costs could be negotiated where risks are being better controlled.
- Asbestos awareness training is delivered to certain officers as there may be a risk to them in the roles they undertake.
- As part of business continuity arrangements an email continuity system has been developed to allow staff and members to access their emails in the event of a break of service.

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.

137 **Internal Audit Reports and Progress against the Audit Plan**

The committee considered the report in the agenda (copy attached to the official minutes).

Mr James presented the report. Mrs Shipway attended to answer questions.

Mr James advised that the action marked 'significant' in the Key Financial Systems audit report for 2016-17, related to duplicate invoices being entered onto the creditors system and subsequently paid twice. Mrs Shipway advised that this had been an issue since the introduction of the Civica financial system and it was previously agreed that a report of potential duplicate invoices be run and reviewed monthly by the Exchequer Manager, thus mitigating the risk of duplicate payments. However, audit found that there were gaps in those reviews and they were not taking place on a regular basis. Mrs Belenger confirmed there was a known weakness in how duplicate purchase orders were dealt with which had led to duplicate payments. A Civica dashboard was being developed to assist financial staff and managers in order to stop the retrospective raising of purchase orders and that a new module for dealing with electronic invoices was being considered as the volume was increasing.

Mr James updated members on the progress of the audit plan for 2017-18 advising that a report on fraud would be brought to the next meeting of this committee.

As Mr James was not present at the new members' induction session he gave an invitation to the two new members to contact him if they would like to visit the Internal Audit team and observe how the section operates. This invitation was then opened up to all members of the committee.

Mr James presented the report. Mrs Shipway attended to answer questions.

RESOLVED

- 1) That the Contracts Management and Key Financial Systems audits be noted.
- 2) That progress against the 2017-18 audit plan be noted.

138 **Appointments to Strategic Risk Group**

The current members of the committee on the Strategic Risk Group confirmed that they were happy to continue serving on this group.

RESOLVED

That Mrs T Tull, Mr G Barrett and Mr G Hicks continue as members of the Strategic Risk Group.

139 **Late items**

There were no late items.

140 **Exclusion of the Press and Public**

RESOLVED

That the public, including the press, be excluded from the meeting for the following items on the grounds that it is likely that there would be a disclosure to the public of 'exempt information' of the description specified in Paragraph 5 (Information in respect of which a claim or legal professional privilege could be maintained in legal proceedings) of Part I of Schedule 12A to the Local Government Act 1972 and because, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

141 **Potential liabilities of the Council**

The committee considered the report in the agenda (copy attached to the official minutes).

Mr Bennett (Legal and Democratic Services Manager and the Council's Monitoring Officer) presented the report.

Mr Bennett undertook to respond to members with the total amount involved in the claim against Coinco International PLC.

RESOLVED

That the potential liabilities of the Council be noted.

The meeting ended at 12.34 pm

CHAIRMAN

Date: