

Minutes of a meeting of the **Corporate Governance and Audit Committee** held at the Woolstaplers Room, the Novium Museum, Chichester on Thursday, 28 November 2013 at 09.30am.

Members (10)

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

Mrs C M M Apel	Mr B Finch
Mr M Bell	Mr R Marshall
Mr T Dignum	Mr G McAra

Present (8)

Apologies for absence:

Mrs P Hardwick
Mr G Hicks

Officers Present for all agenda items

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

Officers Present for Specific Items Only

Mr P Over, Executive Director of Support Services & the Economy
Mrs H Belenger, Accountancy Services Manager
Mr S James, Principal Auditor
Mrs L Le Vay, Design & Implementation Manager
Mrs B Bayliss, Planning Obligations Monitoring & Implementation Officer
Mrs C Dring, Benefits Manager

Chichester District Council Members present as observers or contributors

Mr S Oakley
Mrs C Purnell

149. Chairman's Announcements

Mrs Tull welcomed all to this meeting being held at the Novium. She advised that as Mr Ward was now the lead officer for this committee, Mr Over would not routinely be attending future meetings. The house rules were read out by Mrs H Wassell, the Front of House Officer at the museum.

150. **Minutes**

RESOLVED

That the Minutes of the meeting held on 19 September 2013 be signed as a correct record.

Matters arising: Mr Ward advised that all members' declarations of related party transactions had now been completed (minute 140). Mrs Jones advised that the generic email address for the committee would be forwarded to Mr King in order that all members would receive updates on the EY ITEM Club forecasts (minute 142).

151. **Urgent Items**

There were no urgent items for consideration at this meeting.

152. **Declarations of Interest**

There were no declarations of interest.

153. **Public Question Time**

No public questions had been submitted.

154. **Annual Audit Letter year ending 31 March 2013 – Ernst & Young LLP**

The Chairman welcomed Paul King from Ernst & Young (EY) to the meeting and the committee considered the agenda report (copy attached to the official minutes).

Mr King advised that there had been no issues to report to the Audit Committee or to the National Audit Office. The work on 2012/13 grant claims was essentially complete and the certificate would be issued in January 2014. The certificate on the housing benefit claim would be issued today in line with the 30 November deadline. In reviewing the housing benefit subsidy claim on behalf of the Department for Works & Pensions an error had been found which had resulted in an extra £100,000 (approximately) in the Council's favour. There would be an additional audit charge for this element of the review.

In response to a question by Mr McAra on how the Council compares with others with regard to value for money (VfM), Mr King advised that it was difficult to make comparisons as there were no scored comparisons as had been given in the past. Some councils had received qualification conclusions on one or two criteria of the VfM assessment, however the Council had an unqualified result, its arrangements being regarded as effective in order to receive this judgement. Mr Dignum suggested that the Council's costs per head figures be obtained to allow an element of comparison against other authorities. Mr Ward advised that the annual outturn figures were available and could be calculated to give cost per head, however he advised caution as individual services' cost per head figures were area specific and may not be directly comparable. However we could analyse whether we are spending more per head than other authorities.

Mr Ward thanked Mr King for the audit work carried out and Mr King responded saying that it had been a smooth first year's audit under Ernst & Young LLP.

RESOLVED

That the Ernst & Young LLP annual audit letter for the year ending 31 March 2013 be noted.

155. Financial Strategy and Plan

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

Mr Ward advised that the committee was required to report to Cabinet and to Council on the Council's draft five year Financial Strategy. The following discussions took place.

Disabled Facility Grants (DFGs)

With regard to the DFGs which will be diverted to WSCC as part of the Social Care Fund, Mrs Apel requested to know whether the large number of disabled people in the ward would be affected. Mr Ward responded that it was a mandatory grant so no-one should be disadvantaged. If the Council continued to provide DFGs we would need to ensure the funds were received from WSCC.

Business Rates

A discussion took place on whether charity shops and small businesses received special rates. This was depending upon the status, with small shops receiving a national scheme start-up subsidy. The Council does not have discretion to waive business rates but we can allocate grants to stimulate small businesses. Mr Dignum advised that business rates were effectively subsidised as there had been no rate revaluation for years with the next one scheduled for 2017.

New Homes Bonus (NHB)

Mr Dignum advised that the NHB was used to reward communities that take housing growth, and that the Council had taken the decision not to use the NHB to balance the budget but to ring fence it for its designed purpose. The pot had not been over-subscribed this year and therefore it had been decided to allocate £1.6m from NHB monies to fund the grants process for a further four years. The projects which had come forward this year had been very good and only one had been turned down. Birdham would have compensation in future for taking housing on a recent planning application.

Mr McAra wanted to know, with the estimate of approximately £1m NHB which will go directly to the Local Enterprise Partnership (LEP) from 2015/16, whether it was compulsory to participate in the LEP or whether the Council could opt out and retain the money. Mr Over advised that it was not compulsory to participate but we might lose valuable funding as the LEP would fund local economic initiatives in line with their business plan. To a question from Mrs Purnell, speaking from the gallery, as to whether the Council had a choice of which LEP to be involved in, Mr Over advised that we could, for instance, also choose to participate in the Solent LEP if we considered this to be beneficial.

Mr French considered the proposal for distributing the remaining £4m NHB for new

projects over the coming years at 6.10(g) in the report to be fair. Mr Dignum stressed that this allocation of NHB monies would be reviewed each year.

Neighbourhood Plan

Mr Finch, in considering the cost of neighbourhood plans, asked whether the funding available was above £7,000 required as at present £3,000 goes to the projects and £4,000 is held back for central costs. Mr Ward advised that there was further funding available on adoption of the plan but it needed to go through the referendum first.

Information in appendices

Mr Bell queried the shortfall income figure in Appendix 1; Mr Ward advised that this figure projected the income below target over the next five years. Taking into account the deficit reduction programme in place the deficit would balance towards the end of the five year model.

Mr Ward explained the uncommitted resource of £8.8m in Appendix 4; allowing for future capital receipts half of this figure of £4m would go towards the Enterprise Hub if that project goes ahead. Mr Dignum advised that this £8.8m is effectively our capital programme; in future it would almost entirely be used for housing and grants. To a question from Mr Oakley, speaking from the gallery, about the element of S106 monies included in the £5.5m 'Other Reserves' figure, Mr Ward advised that this amounted to roughly £617,000.

Following the above full discussion, the Committee therefore

RECOMMENDS TO CABINET

- 1) In the short to medium term the Council maintains a minimum level of reserves of £5m for general purposes.
- 2) To maintain the current provision of £1.3m of revenue support to smooth the impact of funding reductions, and volatility associated with localisation of Business Rates.
- 3) The New Homes Bonus should be ~~allocated as~~ reserved for the purposes identified in paragraph 6.10 of the report.
- 4) The current unallocated resource of £8.8m, and its potential use as set out in paragraph 7.2 of the report is noted.
- 5) The Council should continue to aim to set balanced budgets without the use of reserves, although some use of reserves in the short term may be necessary.
- 6) That in order to achieve a balanced budget over the medium term, the Council continues to monitor the delivery of the Deficit Reduction Programme (£2.4m) and continues to monitor the five year Financial Strategy.
- 7) *Review the options available for participation in Local Enterprise Partnerships.*

Mr Finch left the meeting.

156. Strategic and operational risk management mid-year report

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

Mrs Belenger advised that, following her recent attendance at a course on risks, she would be reviewing the risk register and relating all risks back to the Corporate

Plan. The future report layout may therefore change to incorporate this information. The members of the Strategic Risk Group, which had reviewed these risks, were confirmed to the committee upon request.

The Local Plan target risk score would remain at 6 until the outcome was clear. The new Lead Officer for the Local Plan post May 2014 would be identified to ensure continuity and to manage the risk. Mr Dignum was the portfolio holder for strategic risks. Mrs Belenger undertook to add the 10 strategic partnerships to the next report to this committee.

RESOLVED

- 1) That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, are noted.
- 2) That the revised high scoring organisational risks and the mitigation plans in place are noted.

157. S106 exceptions report

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

Miss Le Vay introduced the report, advising that the outstanding contributions mentioned in item 6 had now been received and provided further updates on two of the agreements; Swanfield - the contractor for the bus shelter had been appointed and the licence applied for; St Georges Road - this had now been signed off by the ward members and portfolio holder.

The Council does not monitor progress on any of the West Sussex County Council (WSCC) S106 monies relating to education, transport, highways etc. Mr Oakley, speaking from the gallery, advised that there had been a delay in finding projects to be funded from the County's sustainable transport fund which is funded from Total Access Demand (TAD) contributions sought in addition to contributions for highways works to meet specific transport requirements relating to developments. In many instances funding is tied in to spend in a specific area depending on the terms of the S106 agreement so could not always be diverted to other worthy areas or initiatives.

Mr French confirmed that he had been approached by Mrs Grange to give authority as ward member to allow the transfer of housing monies out of his ward to spend on another community where there was a need.

Members requested that WSCC be contacted to consider the possible re-targeting of existing unallocated S106 monies, possibly taking this through the CLCs for agreement. Mr Ward undertook to speak with Miss Le Vay to establish the officer contact at WSCC to discuss this. Miss Le Vay advised that WSCC officers would be requested to attend the June 2014 meeting of the committee when the annual S106 report will be discussed, as was the case in June 2013.

RESOLVED

- 1) That the current progress of S106 agreements nearing their expenditure date is noted.

- 2) That WSCC be contacted to consider the possible re-purposing of allocated S106 monies to other initiatives.

158. **Internal Audit Report and Audit Plan Progress**

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

Mr James presented the report, advising that the Income Reconciliation audit report had been posted on the Knowledge Hub but had not received any comment from members. Members expressed concern that the two service areas referred to in the audit report were not named; they were confirmed as Car Parks and Trade Waste. There had been issues with the Car Parks IT reporting system which was being investigated alongside the cash control process. Trade Waste was essentially a manual system and this review was ongoing.

To a question from Mr Marshall on whether training had been put in place for staff on income reconciliation, Mr Ward responded that training had been carried out by the service accountants with individual services on a one to one basis, but that this could be looked at again and followed up as required. The audit team offered advice on the running of reports. Core competencies had been included in all managers' role descriptions.

Reports had also been placed on the Knowledge Hub on Corporate Complaints and Health & Safety for the year 2012/13. There followed a discussion about the availability of audit reports on the Knowledge Hub and whether this was being used effectively by members of this committee as a consultation forum and indeed more widely by other members. The committee advised that in future they preferred to receive an email with the documents attached. If there was then the need to comment, this would be done on the Knowledge Hub in order that other members would be informed of their views.

RESOLVED

- 1) That the report and the progress made against the audit plan is noted.

(Note: The meeting closed at 11.34am)

(Chairman)

Date: _____