

Minutes of a meeting of the **Corporate Governance and Audit Committee** held in Committee Room 2, East Pallant House, 1 East Pallant, Chichester on Thursday 23 January 2014 at 09.30am.

Members (10)

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

Mrs C M M Apel	Mr G Hicks
Mr T Dignum	Mr R Marshall
Mrs P Hardwick	Mr G McAra

Present (8)

Apologies for absence:

Mr M Bell
Mr B Finch

Officers Present for all agenda items

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

Officers Present for Specific Items Only

Mrs H Belenger, Accountancy Services Manager
Mrs C Dring, Benefits Manager
Mr S James, Principal Auditor
Mr D Stewart, Legal Practice Manager

Chichester District Council Members present as observers or contributors

Mr J Connor
Mr S Oakley

159. Minutes

The following amendment was requested by Mr King, Ernst & Young LLP, to the minutes of the meeting held on 28 November 2013:

- 'grant claims was essentially complete and the ~~certificate~~ annual claims report would be issued....' Minute 154, line 5

RESOLVED

That the Minutes of the meeting held on 28 November 2013 be signed as a correct record, subject to the above amendment.

Matters arising: Mr Ward advised that an updated position on the request at the last meeting regarding re-targeting of existing unallocated S106 monies would be reported to the June meeting of this committee.

160. Urgent Items

There were no urgent items for consideration at this meeting.

161. Declarations of Interest

There were no declarations of interest.

162. Public Question Time

No public questions had been submitted.

163. Certification of claims and returns annual report 2012/13 – Ernst & Young LLP

The Chairman welcomed Mr P King and Mr N Aitken from Ernst & Young LLP (EY) and Mrs C Dring (Benefits Manager) to the meeting. The committee considered the agenda report (copy attached to the official minutes).

In response to questions about the subsidy claim, Mrs Dring and Mr Aitken responded that this was prepared on the basis of Northgate guidance. One report in particular, although run, was not acted upon in accordance with that guidance but contrary to Department for Work and Pensions (DWP) instructions. It has since been established that the DWP stance is the correct one to follow and in this instance was favourable to the Council. The increased subsidy due will be paid in due course.

Mr Dignum questioned the quantum of the additional subsidy split into the two areas – local authority error overpayments and administrative delays. Mrs Dring undertook to circulate this information to the committee.

(Post meeting note: Examination of the report shows that all the additional subsidy gained was due to administrative delays.)

The Committee noted the proposed additional fee for this work however Mr King advised that this was subject to the Audit Commission's agreement to this proposed variation.

RESOLVED

That the 2012/13 annual report on the certification of the Council's claims and returns be noted.

164. **Treasury Management Strategy**

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

Mr Dignum advised that the Treasury Management training provided to members of this committee and to the Cabinet on 9 January 2014 had been very good and had made him aware of alternative financial strategies. The slides from this training event had been circulated to members of the Committee prior to the meeting for background information.

Mrs Apel asked whether the recent good news regarding a drop in unemployment and possibly an earlier change in the bank base rate would affect our decisions. Mrs Belenger advised that the figures in the report and appendices had already factored in the market's view of future interest rates.

Mr Marshall advised that he would have liked to see the Council's risks (e.g. credit risks, interest rate risks, liquidity risks and market risks) set out separately and the related mitigating factors. He suggested there was no mention of short term gilts in the strategy which provide better returns and that there was no need for a 65% cap on short term investments. He advised that building society lending was high risk because interest rates could go up. He suggested that the Strategy be revisited before it was approved to reconsider the above. There was discretion in how the Strategy was implemented and he would also like to see a description of the processes we would follow.

Mrs Hardwick agreed with removal of the cap on short term investments and suggested the removal of the name of the treasury management advisors in the Strategy statement. She also provided revised wording to paragraph 5 Credit Outlook in relation to the new banking bail-in arrangements.

There was a general discussion on Building Societies, their ratings and the cash limit, with members suggesting a reduction from £2m to £1m on investments with lower rated building societies. To a question from Mr McAra regarding potential investments with building societies, Mrs Belenger advised that besides credit ratings there are a number of other criteria that the Council's treasury management advisors and ourselves need to review and be comfortable with before we invest with any counter party. She confirmed that currently commercial lenders, including local authorities, were afforded greater security in the event of building society liquidation as their deposits would be repaid first before retail depositors.

To query from Mr McAra about the treasury management advisers view of no increase in the bank base rate up to 2016, which is contrary to the majority of the market, and the effect on our projections, Mrs Belenger reminded members that this report is the Council's view looking forward, taking into account the advice given by our treasury management advisers and considering our own past performance.

The Committee wished to postpone the approval of the Strategy, but Mr Ward advised that it is a legal requirement to have an approved strategy in place before the start of the new financial year, and that this must be determined by Council, and cannot be delegated. Mrs Jones suggested that perhaps the draft Strategy be delayed to the 25 February Cabinet to allow a task and finish group to carry out a review, and then on to Council on 4 March. This would satisfy the timescale for

approval by Full Council before the start of the new financial year. However, members did not want to be constrained by a tight deadline and agreed to recommend the current draft Strategy using the 2014/15 Treasury Management Strategy counter party selection criteria (with minimum amendments) to Cabinet on 4 February 2014 in order to satisfy the requirement to agree a Strategy by the end of the current financial year, and to carry out a review of the Strategy and report back to a future Cabinet meeting. The agreed amendments were:

- Removal of all highlighted specific paragraphs suggesting new items

Table 4 on page 24 of the agenda

- Banks etc. – amend the cash limit from £8m to £5m
- UK Local Authorities – amend the cash limit from £8m to £5m
- Money market funds – amend the cash limit from £5m to £4m

Appendix 1

- Amend references to Arlingclose to Treasury Management Advisors
- Amend Para. 5 Credit Outlook as suggested by Mrs Hardwick
- Re-number all tables

Report to Cabinet

- Amend the recommendations in order to break them down

The committee agreed that a review of the Treasury Management Strategy should be carried out by a task and finish group to ensure that all known issues were incorporated. The terms of reference for the task and finish group will be to review the principles and details of the Treasury Management Strategy in order that it is fit for purpose. The group will report back to the March meeting of this committee and then on to Cabinet in April and Annual Council in May. The members of the group were confirmed as Mr Dignum, Mr Marshall, Mrs Hardwick, Mrs Tull and Mr McAra, supported by Mr Ward and Mrs Belenger.

The Committee, having considered the draft 2014/15 Treasury Management Policy Statement, the draft Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy -

RESOLVED

That a task and finish group be established to review the Treasury Management Strategy.

RECOMMENDS TO CABINET

That Cabinet considers and recommends the following for approval to full Council:

- (a) The Treasury Management Policy and Treasury Management Strategy Statement for 2014-15 as contained in appendix 1 of the report.
- (b) The Investment Strategy 2014-15 as detailed within the treasury management strategy statement (appendix 1).
- (c) The Prudential Indicators and Limits for 2014-15 to 2016-17 as detailed in appendix 2 of the report.

- (d) The Minimum Revenue Provision (MRP) Statement contained within appendix 2, which sets out the Council's policy on MRP.

165. Budget Task and Finish Group report back

The three representative of this committee on the task and finish group, namely Mr French, Mrs Tull and Mr Marshall, fed back their findings from the meeting held on 17 December 2013.

Mr Ward responded on a couple of queries from the notes of the meeting:

Item 15 – the projected surplus of Chichester Contract Services for 2013/14 was £189,000.

Item 11 – The payment to Unison had been reduced, but to reduce it further would be counterproductive as some officer time would be lost to Union activities.

The 4 February 2014 Cabinet papers recommend a fully balanced budget for 2014/15. There are no large appendices to the report as in previous years, but a link is provided to a much more detailed set of papers on the Council's website for those who wish to refer to them.

RESOLVED

- 1) That the report of the Budget Task & Finish Group be noted.

166. Internal Audit Report and Audit Plan Progress

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

Mr James reported that he had had no comment from members on the two Internal Audit reports on Contracts and Performance Management which had been circulated to the Committee prior to the meeting. Mr Dignum requested that a report come back to the March meeting on the actions identified in the Contracts report with a March deadline. Mrs Belenger confirmed that the actions would be achievable by then. A contract management module was included as part of the new financial management system, where all council contracts could be recorded. Contract management and procurement training would be provided to officers before the end of the financial year.

The proposed new procurement threshold is close to £500,000. The current threshold of £172,514 is noted in the constitution, however it is proposed to amend the constitution to require officers to consult the Procurement Officer for contracts over £50,000.

Mr James advised that the Housing Benefits and Estates audits would be reported to the March 2014 meeting of this committee. The delayed report on IT enhancements following the S106 Tangmere audit will be reported to the June meeting of this committee, as the software installation had been delayed until April/May 2014.

Mr James gave an update on a change to resources within the Internal Audit department and how this would be resolved. It was not anticipated that there would be a reduction.

RESOLVED

- 1) That the report and the progress made against the audit plan is noted.
- 2) That the Internal Audit reports on Contracts and Performance Indicators are noted.

167. Exclusion of the Press and Public

RESOLVED

That in accordance with section 100A of the Local Government Act 1972 (the Act), the public and the press be excluded from the meeting during the consideration of the following item on the agenda for the reason that it is likely in view of the nature of the business to be transacted that there would be disclosure to the public of 'exempt information' being information of the nature described in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A to the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

168. Westgate Leisure Centre Carbon Trust Scheme [Paragraph 3]

Mr Stewart, Legal Practice Manager, reported to the committee on the current legal negotiations which are ongoing.

RESOLVED

That the oral report be noted.

(Note: The meeting closed at 11.34am)

(Chairman)

Date: _____