

# Public Document Pack

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2 - East Pallant House on **Thursday 23 January 2020 at 9.30 am**

MEMBERS: Dr K O'Kelly (Chairman), Mr T Johnson (Vice-Chairman), Miss H Barrie, Mr J Brown, Mr A Dignum, Mr F Hobbs, Mr D Palmer and Mr P Wilding

## SUPPLEMENT TO AGENDA

- 2 **Approval of Minutes** (Pages 1 - 8)  
The committee is requested to approve the minutes of its ordinary meeting on 24 October 2020 (*copy to follow*).

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minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2 - East Pallant House on Thursday 24 October 2019 at 9.30 am

**Members Present:** Dr K O'Kelly (Chairman), Mr T Johnson (Vice-Chairman), Miss H Barrie, Mr M Bell, Mr A Dignum, Mr F Hobbs, Mr D Palmer and Mr P Wilding

**Members not present:** Mr J Brown

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

**Officers present:** Mr N Bennett (Divisional Manager for Democratic Services), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mr S Davies (Planning Obligations Monitoring and Implementation Officer), Mrs F Delahunty (Divisional Manager for Customer Services and Land Charges) and Mr J Mildred (Divisional Manager for Corporate Services)

## 266 **Chairman's Announcements**

Apologies had been received from Mr Brown.

## 267 **Approval of Minutes**

### **RESOLVED**

That the minutes of the meeting held on 25 July 2019 be approved and signed as a correct record.

*Minute 253 - Matters Arising:* Mrs Belenger advised that the Caution Alert register monitoring was appropriate for this Committee and would be taken within the annual Health and Safety report.

## 268 **Urgent items**

There were no urgent items.

## 269 **Declarations of Interest**

Dr O'Kelly declared a personal interest as a West Sussex County Council member.

## 270 **Public Question Time**

There were no public questions.

## 271 **Annual Audit Letter 2018-2019**

Mr Suter, Ernst & Young LLP, introduced the annual audit letter for the year ended 31 March 2019, drawing members' attention to the key findings in the report. Very little had changed in the report since members had considered the 2018-19 audit results report at the previous meeting and an unqualified value for money conclusion had been reached on 25 July 2019.

Mr Suter responded to members questions as follows:

- With regard to planning materiality Ernst Young LLP only reported the gross figures and gave an opinion on the totality of expenditure. It was considered that 2% was reasonable. However, a member felt that this percentage should be lower and it was agreed to debate the matter at the next meeting.
- With regard to identifying the Council's leases, Ernst Young LLP had not undertaken any work in this area yet. In his view the Council should in the first instance ensure they understood the implications of the new accounting standards, due to come into effect in 2021, and should identify the leases the Council had. The review should undertake review of records kept, engage with the Council's services to identify any potential risks and capture the key information required under the new standards. Mrs Belenger advised that the Committee would consider a report on the new accounting standards at its meeting on 26 March 2020. The report would set out the Council's accounting policies to be taken into account for 2019-20's accounts and advise of those policies that would impact the Council in a future accounting period i.e. 2020-21. A position statement would be prepared setting out the work required and how the standard may affect the Council. Work would be undertaken to identify any leases, which could include leases across all service areas, as the Accountancy have a protocol in place to identify what officers may need to take account of in future years statutory accounts.

### **RESOLVED**

That the annual audit letter ending 31 March 2019 be noted.

## 272 **Financial Strategy & Plan 2020-2021**

The Committee considered the report circulated with the agenda.

Mrs Belenger introduced the report, which set out the financial strategy and the principles which underpinned the Council's approach to managing its financial matters and medium financial plan. Part of that process was to understand the risks associated with it and how the Council could control and mitigate those risks. The Committee was also requested to consider the minimum level of reserves held by the Council.

The Council's five year strategy model was being worked up at the moment by officers. It took into account the Government's technical consultation, which gave the Council some indication of what our financial settlement would be like for 2020-

21. The Council understood from the Autumn statement that the settlement for 2020-21 would be for one year only and broadly in line with the settlement received for 2019-2020, as the changes to the fair funding arrangements, which included the fair funding review, localisation of business rates and resetting of the baselines have all been delayed by the Government now until 2021-22.

With regard to the Council's membership of a Business Rates Pool, it was unlikely to participate in one as it had for 2018-19 as part of the Coastal Business Rates Pool, nor the 75% Business Rates Pool Pilot with all other West Sussex authorities in 2019-20, as this one year pilot was no longer on offer by the Government after 2019-20. This was mainly due to the potential impact of a court case launched by the NHS against councils that they should be able to reduce the amount of business rates payable as they were a charitable trust. As St Richards Hospital was located in the District the Council was unlikely to opt into a business rates pool during 2020-2021, as it did not want to put the pool at risk due to the court case and potential appeal risk.

Mrs Belenger and Mr Catlow responded to members questions.

- With regard to the court case launched by the NHS a decision was expected to be made March/April 2020. It was thought that the court case may affect whether or not other council's joined a West Sussex Business Rates Pool in 2020/21.
- As part of the budget process specific service reviews would take place to look at the different ways of delivering Council services and high cost high spend areas in comparison to other local authorities, and looking to see if there were any other income opportunities to identify ways of closing the Council's potential funding gap.
- The objective of future Government funding and the Fair Funding review was set out. In previous consultations the Government had looked at different income streams, such as car park income for Councils. Potentially this type of income could have been taken into account when deciding each council's settlement. However, there had been no further updates in the latest consultation received as whether or not the Government would target this type of income in the future. Updates were expected in the coming year along with further consultations due to the major changes expected.
- It was confirmed that the New Homes Bonus monies already held was not at risk under any current government regime. Unlike other councils this funding was not used to balance the budget but held for one off projects instead.
- Recycling credits loss of income to the Council was considered in the Financial Strategy.
- Total reserves held by the Council, an explanation of the different types of reserves held was given.

In response to members question concerning savings expected as part of the budget setting, The Leader, Mrs Lintill, was invited to address the Committee from the public gallery. Mrs Lintill advised that the Local Government Association had been asked to provide an all member session on priority setting support. It would take place ideally before the end of this year or if not before the budget setting process.

The Committee noted that the possibility that West Sussex County Council would withdraw its recycling credits as part of its proposed budget cuts was a real threat.

The Chairman advised that it would be interesting in the future for officers to do some benchmarking on the Council's reserves to give more clarity where the Council stood and a better understanding.

## **RECOMMENDED TO 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.

### **273 2018-2019 Treasury Management Half Yearly Update**

Mr Catlow presented this mid-year review of treasury management activity and performance. He advised members that guidance from Cipfa was still awaited in relation to indicators for proportionality of commercial investments.

Mr Catlow advised that following comments made previously by members he had separated the columns of table 2 on page 38 to make them clearer. Members requested that columns showing cumulative income in pounds and the average annual return.

During the discussion officers answered the following questions from members:

- *In light of the climate emergency declared by the Council what is the Council doing to ensure its funds were invested as ethically as possible, in particular the pooled funds?:* Within the Council's Management Strategy this was not a factor currently taken into account. Officers had discussed this issue when considering the pooled funds. It was suggested that this was a matter for consideration by members when the Committee considered the Council's annual Treasury Management Strategy at its meeting on 23 January 2020.
- *With regard to the proportionality of commercial income has the Council yet taken a view on whether it would generate this income on an opportunity basis or by setting targets for the year?:* Clarification was needed to determine what did constitute commercial activity and discussions were currently taking place on this subject at the moment.
- *What are the parameters of viability which officers judge investments?* There was a limit on the maximum amount of money that the Council was allowed put into a single fund. The Council employed a Treasury Advisor to undertake due diligence to assess and monitor a selection of pooled funds and the Council only invests in those recommended by the Advisor.

## **RESOLVED**

That the 2019-2020 treasury management mid-year progress report be noted.

### **274 Audit Reports, Progress Report - 2019-2020 Audit Plan**

Mr James introduced this item. Mr Mildred was in attendance to answer questions relating to the Building Security follow-up, which had one recommendation still in progress. Mr Mildred explained that he was disappointed by the audit results and outlined the steps taken that had resulted in a new process being put in place concerning the deactivation of leavers ID passes. Mr James advised that a review of the new process would be carried out during January 2020.

## **RESOLVED**

That progress against the 2019/20 Audit Plan be noted.

### **275 S106 Annual Exceptions Report**

Mr Davies presented the report and was joined by Mrs Dower. Mr Davies explained that the report outlined those contributions which required additional monitoring as they were due to reach their target date within the next two years or were now overdue. The West Sussex County Council data relating to the Section 106 contributions, not available at the Committee's meeting on 25 July 2019 due to issues with the migration of the County Council's data to a new system, was now attached. He asked members to email him by Friday 1 November 2019 if they had any questions on the County Council data. He referred to the recently amended Community Infrastructure Levy regulations that required the Council to produce an Infrastructure Funding Statement to be published on a new government website, as well as the introduction of Section 106 monitoring fees as a planning obligation. As a result of these new regulations there may be changes to the formatting of future reports but the content would be broadly the same.

During the discussion officers responded to members' questions as follows:

- Mr Davies undertook to identify the contributions located in the South Downs National Park (SDNP) in future reports. He pointed out that the Council only monitored the Section 106 agreements for those planning applications where the decisions were taken by the District Council's Development Management Team and not called in by the SDNP Authority. He undertook to speak to the SDNP Authority's own Monitoring officer to ask if details of their contributions could be provided so that a list of all contributions within the SDNP could be provided to the Committee in future.
- With regard to the contributions received, Mrs Belenger explained that these formed part of the Council's funds but were not part of the Council's £14m general fund reserve.
- Mr Davies responded to a question concerning public art contributions and whether there was flexibility to use the funds for other purposes than those originally stated to ensure funds were used for what was most needed. He explained that flexibility would depend on the requirements of the legal agreement and some were more restrictive than others. The Council tried to make agreements as flexible as possible, whilst developers wanted them to be as restrictive as possible. He updated members on the latest position concerning the public art contribution for Land at Southfields Close and advised that Donnington Parish Council had identified a project to place parish information boards along the canal. Mrs Dower added that funding for public art was wider

than providing just art installations and there were opportunities to be creative with, for example, the use of fencing shaped into something creative.

- With regard concern raised regarding progress of play provision at the Amphitheatre, Mr Davies undertook to find out the latest position from the Spending Officer and provide a response to the Committee.
- Mr Davies explained that the Toucan crossing provided as part of the Graylingwell development was not included in the report as it was a non-financial obligation required by the County Council. The toucan crossing was required to be provided by the completion of 450 dwellings; the developer had currently completed about 444 dwellings. He understood that the plans had been drawn up but he expected the obligation to be met after the trigger point.

## **RESOLVED**

1. That the contents of the report concerning Section 106 agreements nearing their expenditure date (as set out in Appendix 1) be noted;
2. That the changes to the CIL regulations from 1 September 2019 detailed in paragraph 7.3 be noted; and
3. That the receipt of West Sussex County Council Section 106 data that was unavailable for inclusion in the Section 106 Annual Monitoring Report in July 2019 be noted.

## **276 Complaints, Freedom of Information Requests and Data Protection Analysis**

Mrs Delahunty introduced this item. The freedom of information process had been improved so that the reminder system now showed key dates. The number of General Data Protection Regulations (GDPR) requests, which took a great deal of officer time to collate, had increased considerably and was expected to continue to do so. The case management system had been configured to enable it to process the requests in the same way as freedom of information requests.

Mrs Delahunty, Mr Bennett and Mrs Belenger responded to members questions. With regard to concerns expressed by members of the high number of freedom of information request and the cost implications of providing responses, trends had been identified and the information placed on the Council's website, which saved officer time. An automated email directed the requestor to the relevant web page. Approximately 50% of the work carried out was dealt with in the automated case management system. Officers tried to find the shortest route possible to enable them to answer requests as effectively and efficiently as possible. For example, if a request was received concerning details of a number of services' financial information, in some instances the finance team would be able coordinate a response on behalf of other services.

Members expressed concern about the high number of freedom of information requests received each year and felt there was some abuse of the system, especially concerning press enquiries and those from commercial organisations trying to obtain sales information. Following discussions the origin of the request should be recorded in future. Mrs Delahunty undertook to add a field to the system

to record whether the type of request was personal, media or commercial. Mr Bennett advised that information would not be 100% accurate as those making the request may not provide that information and in any case it was the intention of the Government when freedom of information requests were received that access to the Council's information would be increased for everyone including commercial organisations.

The Committee was pleased to hear about the number of compliments received and the examples given. There was concern about the level of GDPR requests received and the time they took to deal with, which was a risk going forward and felt that thought should be given to how this resource is managed.

## **RESOLVED**

That the 2018-19 Annual Report on Complaints, Freedom of Information Requests and Data Protection analysis be noted.

### **277 Budget Review Task and Finish Group Terms of Reference**

Mrs Belenger presented the Terms of Reference and the scoping of this proposed review.

## **RESOLVED**

- 1) That the terms of reference for the budget Task and Finish Group be approved; and
- 2) That Mr Dignum, Mr Johnson and Dr O'Kelly be appointed to the Budget Task and Finish Group 2019.

### **278 Strategic Risk Update**

Mrs Belenger outlined the report and reminded the Committee of the exempt element of the report at Appendix 1(b) on pages 177 to 179.

During the discussion concern was raised by members that some of the risk numbers shown at paragraph 5.3, including CRR-Local Plan, CRR 170 - Changing use of the High Street and CRR 165 - Brexit should be higher. Mrs Belenger explained that the risk map related to the Risk Matrix scoring and the internal controls in place and what the Council was doing to mitigate the risk and whether internal controls were in place or there was further work required.

Mrs Belenger explained the matrix and guidance in place that set out how risks should be measured

A correction was made to the previous risk score '9' for CRR-Local Plan, which should read '6'.

A member queried whether the Climate Emergency would become a strategic risk due to adverse weather becoming more common. Mrs Belenger explained that this could be a potential new risk for the Strategic Risk Group to consider as part of their next review.

In response to a members question concerning the use of risk registers, Mrs Belenger explained that an element of the risk management allowance was about undertaking a wider understanding about risk and risk appetite, including taking into account the concerns that members had. It was noted that the Council had gone through a political change following this year's District election and a wider discussion with members on their risk appetite was something that would take place in the future and which would help pick up some of the concerns members had.

**RESOLVED**

- 1) That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, be noted; and
- 2) That the high scoring organisational risks, and the mitigation actions in place, and raises any issues or concerns and notes there are no high scoring Programme Board risks.

The meeting ended at 12.15 pm

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CHAIRMAN

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Date: