



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Virtual on Monday 31 October 2022 at 2.00 pm

**Members Present:** Mr F Hobbs (Chairman), Mr J Brown (Vice-Chairman), Mr A Dignum, Mr T Johnson, Dr K O'Kelly, Mr D Palmer and Mr P Wilding

**Members not present:** Miss H Barrie

**In attendance by invitation:**

**Officers present:**

166 **Chairman's Announcements**

Apologies had been received from Cllr Hobbs. Cllr Brown agreed to Chair the meeting in his capacity as Vice-Chairman of the Committee.

Cllr Brown also expressed his thanks to Mr Catlow for attending this meeting, as his last at Chichester District Council, and offered his best wishes for the future.

167 **Approval of Minutes**

The minutes are agreed as an accurate record of the meeting held on 18 July 2022.

168 **Urgent items**

There were no urgent Items.

169 **Declarations of Interest**

There were no declarations of interest.

170 **Public Question Time**

There were no public questions.

171 **Audit Plan for year ended 31 March 2022**

The Chairman invited Mr Suter, of Ernst and Young, to present the Audit Plan for the financial year ending March 2022.

He explained the report highlights the key areas of risk and focus.

Regarding the Financial Statements Audit, Mr Suter explained that the risks recognised remain at a similar level to those of the previous year; noting however, that a couple of risks have been removed, namely risks associated with COVID-19 grants.

He drew members attention to page 14.

RESOLVED:

The Committee noted the performance against the Audit Plan for year ended 31 March 2022.

**172 Progress Report - Update on Audit Plan 2022/2023**

The Chairman invited Mr James to present the report.

Mr James explained to members that the staffing issues he highlighted to the Committee at the meeting in July were still affecting the Internal Audit team. As a result of these challenges only one audit report has been carried out relating to Discretionary Housing Payments where four low risk exceptions were raised which are not of concern.

Due to the staffing challenges Mr James proposes to defer nine audits, and will update and brief members on progress at the next meeting.

Responding to Cllr O'Kelly Mr James informed members, that subject to a meeting with Ms Standing, the audit relating to Westward House would be carried out in quarter four, rather than quarter three as originally planned.

Members had a brief discussion about the staffing issues the team are facing. Mr James explained that these are the result of a variety of factors, assuring members that the department is actively advertising and hoped to have staff in place soon.

RESOLVED:

The Committee noted performance against the audit plan for 2022/23 and audits proposed to be deferred to 2023/24/dropped.

**173 2022-2023 Treasury Management half-yearly Update**

The Chairman invited Mr Catlow to present the report.

Mr Catlow explained that the report summarises treasury activity for the first half of the financial year. He highlighted that interest earned on internal investments will outweigh the revenue budget. He noted that projections for the rest of the financial year are unclear given the national economic uncertainty and interest rates being subject to a high degree of fluctuation.

He highlighted that two reportable exceptions had been noted where, in both cases, monies had been received in the bank unexpectedly late, reassuring members that these were the result of one late CIL receipt and human error.

Mr Catlow informed members that there had been some further investments in external pool funds, but that due to market uncertainties CDC will not be progressing any further investments until the economic situation becomes clearer.

Mr Gillett added that there is significant uncertainty regarding future property markets and different sectors within the CDC portfolio. He reassured members that currently CDC's portfolio has performed robustly, helped by the spread of different asset types. He highlighted that the biggest risk to the Council comes from its retail investments, noting however, that all are returning a reasonable income and should continue to do so for the time being.

Responding to members concerns regarding potentially challenging decisions ahead Mr Catlow offered assurance that the Council is in a good position, particularly regarding the uplift in internal investments associated with the rise in interest rates. He informed members that as part of the financial strategy process, Mrs Belenger has considered potential challenges and developed a methodology to manage these. If difficult decisions are required, the council is aware of them and planning accordingly.

Responding to a query from Cllr Wilding, Mr Catlow confirmed that the Total Treasury Investments income return percentage of 0.23 in Q4 (as shown on page 65 of the report) was a typing error and would be corrected upwards, meaning the rating moves from Amber to Green. The correction would be reflected in the report which goes onto the December Cabinet meeting.

Members had a brief discussion regarding the upcoming government decision relating to the Statutory Override.

Cllr Dignum asked whether, should the decision be unfavourable to the Council, reserves might need to be used to balance the potential £3million loss that would show in pooled funds.

Mr Ward confirmed that in this scenario money would need to be moved from useable reserves to non-useable reserves, noting however, that this would not be money paid out from the Council to any external body.

Mr Catlow added that the government would be aware of local authorities needing to budget and as such a decision is expected before Christmas.

**RESOLVED:**

The Committee considered the Treasury activity summarised in the report.

## 174 **Draft Treasury Management and Investment Strategy**

Mr Catlow explained he would highlight the more consequential changes to the Investment Strategy.

He noted a fundamental principle in the new code is that proportionality is used in risk management. Moving forward, there will be new limits and requirements to

consider if risks are proportionate to the Council's resources. Counter party limits are also increased from £6 to £7 million.

Regarding treasury management indicators, Mr Catlow explained the new code requirement has more relevance for Councils who borrow money. It aims to align the borrowing profile with investment need but is not relevant to CDC at this stage as we are projected to remain debt free.

A further item strengthened in the new code is that of skills and training. It now requires authorities to think through what skills it has, needs and how it will equip members and officers to discharge their respective roles.

A new section relating to service investments includes restrictions on the types of entities the Council can provide service investment to. Under the concept of proportionality there will be tight limits on the total amount of service investment the Council can make.

Members queried whether this makes it easier or harder for the Council to invest in providing services through investing in partner organisations. Mr Catlow explained that neither would be the case, the new code ensures there is a strong governance framework behind it.

No changes were made to the documents represented.

RESOLVED:

The Committee:

1. Considered the Treasury Management Policy Statement, the Treasury Management Strategy Statement, the Investment Strategy, and relevant indicators for 2023/24
2. Recommends the documents in 2.1 to Cabinet and Council for approval.

## 175 **S106 and CIL Annual Monitoring Report**

The Chairman invited Mr Davies to present the report, who went through key points for members. He highlighted, on page 163, the CIL spending plan, explaining that the income within the projection is based on the housing trajectory related to planning policy and was worked with an assumption that affordable housing will be delivered at the policy rate of 30%. He noted however, that over the past 18 months several schemes for 100 % affordable housing have come forward subsequent to permission, possibly in response to Central government funding for that sector. In these cases, there is an impact on CIL receipts as mandatory relief is given. Mr Davies made members aware that this could lead to some infrastructure projects within the plan not having funding, noting however that to mitigate this the team have made a change to S106, to allow the development management team the opportunity to consider developers asking for 100% affordable housing.

Cllr O'Kelly referenced page 133 and the new infrastructure levy update, querying what impact this might have on decision making.

Mrs Dower noted that the new legislation was light on detail, noting that the new levy will not be based on gross internal area or floor space and won't be charged on commencement, instead it will be charged on the final value of the property. She added that it will be very different to the existing scheme and her main concern is it producing a longer gap between receiving the money and needing to spend it.

Members queried whether we have protection against developers not paying or not being able to pay their CIL contribution.

Mr Davies suggested that as CIL is a charge against the land, were the land sold to another developer they would inherit the liability and should be aware of this. Mrs Dower added that as a local authority our position would be comparatively strong.

The Monitoring Officer offered advice to Members regarding any discussion about individual sites, as it overlaps into planning and other contractual issues.

Cllr Oakley was invited to ask his question which noted the higher than ever CIL contributions received by Parish Councils and his concern at the capacity of these semi-professional bodies to work up projects in line with the higher funding scale. Especially given this money is lost if not used within a prescribed time frame.

Mrs Dower explained that if individually parishes did not feel they had the ability to work up projects to spend the money, they can hand the money back to CDC to manage for them which will be spent on an appropriate project of benefit to the parish.

The Monitoring Officer suggested that further mechanisms might be better discussed outside of this meeting by senior officers, acknowledging the importance of the oversight of this money and where it used to the benefit of residents.

Cllr Hobbs joined the meeting.

RESOLVED:

The Committee noted:

1. The income and expenditure between 1 April 2021 and 31 March 2022 in respect of S106 contributions and from CIL; and
2. The contents of the Infrastructure Funding Statement as set out in Appendix 1; and
3. The information on S106 agreements within 2 years of the expenditure target date as set out in Appendix 2; and
4. The details of non-financial S106 obligations set out in Appendix 3.

## 176 **Complaints, Freedom of Information requests and Data Protection Analysis 2021-22**

Mrs Williams-Dorn presented the report.

RESOLVED:

The Committee noted the Complaints, Freedom of Information requests and Data Protection Analysis 2021-22.

**177 Debt Recovery Update and Write Off Annual Report 2021-22**

Mr Jobson presented the report.

RESOLVED:

The Committee noted the Debt Recovery Update Report and the Write Off Report as shown in Appendix 1.

**178 Sickness Absence Report**

Mr Mildred presented the report and answered member's question regarding trends of sickness especially in respect of Covid.

RESOLVED:

The Committee noted the Sickness Absence Report.

**179 Financial Strategy & Plan 2023-24**

Mrs Belenger presented the report and outlining the key financial principles that underpin the Council's approach to its medium term financial planning, and the management of risks associated with the financial resilience of the Council to ensure the delivery of its services to the community it serves.

The key financial risk were highlighted in paragraph 10 of the report and section 4 of the Financial Strategy in appendix 1.

Mrs Belenger and Mr Ward answered member's questions on the risks and their potential impact, especially regarding inflationary cost pressures.

RESOLVED:

1. That Councillors Barrie, Brown and Palmer be appointed to sit on the Budget Task and Finish Group.
2. That the Committee considers and recommends to Cabinet:
  - a) The Key financial principles and actions which underpin the financial management of the Council, and the Financial Strategy set out in Appendix 1 Annex A to the agenda report.
  - b) That the Council maintains a Minimum Level of Reserves of £4m for general purposed.
3. That the Committee:
  - a) Notes the updated 5-year Financial Model in appendix 2 (Part 2) and the Resources Statement in appendix 3 to the agenda
  - b) Notes that it has nominated three members of the Committee to attend the Budget briefing Task and Finish Group.

180 **Exclusion of the Press and Public**

There was no requirement to exclude the press or public.

181 **Late items**

There were no late items.

The meeting ended at Time Not Specified

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CHAIRMAN

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Date: