



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 2, East Pallant House on Thursday 30 June 2016 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr G Hicks, Mr I Curbishley, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr P Jarvis and Mr S Morley

Members not present: Mr T Dempster

In attendance by invitation: Mr M Young (Ernst & Young LLP)

Officers present: Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr N Bennett (Legal and Democratic Services Manager), Mr T Day (Environmental Coordinator), Mrs K Dower (Principal Planning Policy Officer (Infrastructure Planning)), Mr P Harrison (Strategic Asset Mgmt Surveyor), Mr T Jackson (Acting Group Accountant (Technical & Exchequer)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer) and Peace (Planning Obligations Monitoring & Implementation Officer)

64 **Chairman's Announcements**

No apologies had been received.

65 **Approval of Minutes**

The minutes of the last meeting held on 22 March 2016 were considered. The reference to blue badge claims (page 3, penultimate paragraph) is a County issue. An update of recycling targets (page 5, final paragraph) was provided to the committee.

The minutes were agreed as a correct record.

66 **Urgent items**

There was one urgent item which the Chairman agreed should be taken as a matter of urgency by reason of special circumstances. This item was taken at agenda item 14 Late Items.

67 **Public Question Time**

No public questions had been received.

68 **Declarations of Interest**

No interests were declared at this meeting.

69 **Annual Audit and Certification fees 2016-17**

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

Mr M Young from Ernst & Young LLP presented the report advising that the Audit fee was based on previous audit experience of the authority and assumes no change to the risk profile. It was not envisaged that the audit fees stated in the report would be subject to change.

RESOLVED

That the Ernst & Young LLP Audit and Certification Fees 2016-17 be noted.

70 **Audit Plan 2015-16 Progress**

Mr Young gave an oral update on progress with the 2015-16 audit.

There had been nothing of significance arising from the work carried out to date which he considered necessary to bring to the committee's attention. As in previous years, minor errors had been found in the Housing Benefit audit, but he had nothing significant to report here either. Further work would be carried out towards the end of July and the audit would be complete in time for the September committee meeting.

71 **S106 Annual Monitoring Report**

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

Mrs Peace, Mrs Dower, Mr Day and Ms Munns, West Sussex County Council, attended to answer members' questions, including the following:

- The balance was being returned in respect of the Shippams agreement. This was because the agreement specifically stated that the money had to be spent on a camera which had cost less than the commuted sum provided. The developer requested that the money be returned. The S106 monies could not be used for maintenance as this was not specified in the legal agreement.
- The spending officers liaise with ward members and with parish councils. The monitoring officer requires the spending officers to provide quarterly updates.
- The S106 monitoring officer is not involved in the drawing up of S106 agreements – the role is solely to monitor the agreements.

- Monies assigned to South Downs National Park are managed by them.
- Reminder of a pre-Council briefing on 19 July from WSCC regarding CIL governance and spending arrangements.
- Ms Munns undertook to come back to members with information on a number of queries raised.

The Chairman had received an email from Mr S Oakley with a number of questions on this item which she read to the committee. Answers were provided.

The volume of information provided to the committee in the appendices was queried but considered necessary to provide the fullest information. This will be reviewed in a year's time.

RESOLVED

- 1) That the income and expenditure in respect of S106 contributions between 1 April 2015 and 31 March 2016 be noted.
- 2) That the information on agreements within two years of the expenditure target date as set out in Appendix 4 be noted.
- 3) That the details of non-financial obligations as set out in Appendix 5 be noted.

72 2016-17 Treasury Management Strategy - update

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

Mr Jackson took members through the proposed amendments in the strategy specified in Appendix 1 which reflected necessary changes to Tables 4, 5, 6 and 9 of the Strategy. The changes amended the limits for approved Investment Counterparties, non-specified investments, Pooled Funds and Money Market Funds given the impact of the recent (and proposed future) investment in the Local Authority property Fund.

A discussion took place on various issues – culminating in the decision to specify the proposed funds limit for the Council's own banker as a separate stand-alone limit in Table 4 instead of the original proposal. All other proposed changes stated in Appendix 1 were agreed. Given the Council's recent change of bank, consideration was also given to whether the Council would benefit from having two operational banks to reduce the risk of exceeding the cap on funds invested in the event of a possible downgrading of counterparties. But this was rejected as impractical.

Additional to the proposals in Appendix 1, the limit on Total Medium and Long term Investments in Table 6 was agreed to be increased from £20m to £35m for consistency with the Limits specified in Table 9 for 2016-17. Mrs Belenger undertook to review the entirety of the document to ensure consistency in the limits.

RESOLVED

That the proposed amendments to the Council's 2016-17 Treasury Management Strategy be approved.

RECOMMENDED TO CABINET

That the Treasury Management Strategy be recommended to Full Council for approval.

73 Overarching Investment Opportunities Protocol

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

Mrs H Belenger, Mr T Jackson and Mr P Harrison attended to take questions. Mr Ward confirmed that New Homes Bonus money had no conditions attached to its use and could be used to fund investments however the use of this reserve would be a matter for Council approval.

Officers confirmed that this Protocol would not impose restrictions on their ability to progress investment opportunities.

RESOLVED

That the committee endorses the broad principles as set out in Paragraphs 7 to 11 of the report as an overarching investment opportunities protocol, together with the Land & Property Sub-Strategy Investment Protocol at Appendix 1.

RECOMMENDED TO CABINET

That the Overarching Investment Opportunities Protocol, together with the Land & Property Sub-Strategy Investment Protocol be approved.

74 Strategic Partnerships Annual Report

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

RESOLVED

That the findings of the annual review of partnerships, as stated in paragraph 3.3 of the report, be endorsed.

75 Internal Audit - Audit Plan Progress

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

Mr James presented the report, providing an update on the recommendations made in the two audits - Key Financial Systems 2015-16 and Personnel and Recruitment. Mr J Todd, the Corporate Fraud Officer, attended for the Fraud audit report, which

had been sent to members as a background paper as there had been no medium/high level recommendations.

Mr James advised that the annual audit programme was on track.

RESOLVED

That the audit reports and progress against the audit plan be noted.

76 Committee work programme 2016-17

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

RESOLVED

That the committee's work programme for 2016-17 be agreed.

77 External Auditor Appointment

Mrs Belenger and Mr Ward informed the committee of a recent requirement by the Department for Communities and Local Government for local authorities to decide which procurement option they wish to take with regard to external auditor appointments by 31 December 2017.

The choices are a) to formally opt in to a sector-led appointing body; b) to set up an independent Auditor Panel or c) to join with other councils in setting up a joint independent Auditor Panel. The organisation involved with option a) (the Public Sector Auditor Appointments Limited) would require a formal indication of this route by 30 September 2016.

The new appointment regime will begin on 1 April 2018, meaning new appointments will need to be made by 31 December 2017. At present the sector-led body, the Public Sector Audit Appointments Ltd, if appointed by the DCLG, aims to award contracts to firms by June 2017, giving six months to organise which firm is appointed to each individual authority.

Mrs Belenger advised that some other West Sussex finance officers had indicated that they were planning to go with the sector-led body. The current external auditor arrangement was working well and fees had reduced over the last few years. It was considered better to be part of a larger group and to have the benefit of the economies of scale.

Due to the need to make a quick decision it was suggested that the committee gives its support to the appointment of the sector-led body to provide external audit services for the Council and that it delegates authority to the Head of Finance & Governance, following consultation with the cabinet member for Finance and Governance and the Chairman of the Corporate Governance & Audit Committee, to make this recommendation to Cabinet and to Council.

RESOLVED

That the Head of Finance & Governance, following consultation with the cabinet member for Finance and Governance and the Chairman of the Corporate Governance & Audit Committee, be given delegated authority to make recommendations to Cabinet and to Council on the appointment of the Council's external auditor with effect from 1 April 2018.

78 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 Paragraphs 1 (information relating to an individual) or 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 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.

79 Potential liabilities of outstanding litigation (Part 2)

The committee considered the report circulated with the agenda.

RESOLVED

That the potential liabilities of the Council be noted.

The meeting ended at 11.55 am

CHAIRMAN

Date: