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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 November 2016 at 9.30 am

Members Present: Mrs P Tull (Chairman), Mr G Hicks, Mrs N Graves and Mr S Morley

Members not present: Mr G Barrett, Mr I Curbishley, Mr T Dempster, Mrs P Hardwick, Mr F Hobbs and Mr P Jarvis

In attendance by invitation:

Officers present: Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr M Catlow (Group Accountant (Technical and Exchequer)), Mrs K Dower (Principal Planning Officer (Infrastructure Planning)), Mrs L Grange (Housing Delivery Manager), Mrs J Hotchkiss (Head of Commercial Services), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Mrs T Murphy (Parking Services Manager), Ms C Peace (Planning Obligations Monitoring & Implementation Officer), Mrs S Peyman (Sport and Leisure Development Manager) and Mr W Townsend (Health and Safety Manager)

90 **Chairman's Announcements**

Apologies had been received from Mr G Barrett, Mr I Curbishley, Mr T Dempster, Mrs P Hardwick, Mr F Hobbs and Mr P Jarvis. Members were reminded that the committee was quorate with three members (four were in attendance).

91 **Approval of Minutes**

The minutes of the last meeting held on 29 September 2016 were discussed and an update was provided as follows:

- Minute 87, second bullet point - a response from Mrs Ryan had been circulated to members by email.
- Minute 86, first bullet point - Mr Ward advised that our share of the pension fund was currently in surplus. He had met with the WSCC pension fund actuary and due to changing demographics and different discount rates applied to the pension valuation he was recommending a minimum increase to the pension fund of 0.7% over the next three years. An increase of 1% had been included in the financial strategy.

RESOLVED

That the minutes of the last meeting held on 29 September 2016 be approved as a correct record.

92 Urgent items

There were no urgent items for consideration at this meeting. It was agreed that agenda item 8 would be taken after agenda item 14.

93 Declarations of Interest

No interests were declared at this meeting.

94 Public Question Time

No public questions had been received.

95 Annual Audit letter 2015-16

Mr King, Ernst & Young LLP, introduced the annual audit letter for the period ending 31 March 2016. The messages were similar to those contained in the 2015-16 audit results report considered at the last meeting and he had nothing particular to point out to the committee. He advised that a statement setting out the impact of the EU referendum on the UK public sector was included at page 25 and this would take some time to work through.

RESOLVED

That the annual audit letter ending 31 March 2016 be noted.

96 Audit Progress Report 2016-17

Mr King provided an oral report on the progress of the current 2016-17 audit.

Planning for the audit had been started, the bulk of which would in the New Year and then again after the accounts had been prepared at the end of the financial year. The auditors were required to certify the housing benefit subsidy return to the Department for Works & Pensions (DWP) by 30 November. He was pleased to report that work on that claim was complete and that he would certify the claim immediately after this meeting and send it to the DWP to meet the deadline.

97 Financial Strategy and Plan 2017-18

The committee considered the report circulated with the agenda (copy attached to the official minutes). Mr Ward introduced the report, providing an update on the outcome from the Chancellor's Autumn Statement the day before. The four year settlement to 2019/20 had been agreed.

He pointed out two key changes in terms of financial principles. The first was reflected at paragraph 4.9. The Council had invested the full £10m in the Local Authority Property Fund which should achieve a return of between 4 and 5%. Officers were investigating alternative investment vehicles for further investments and a report would be brought to Council in the New Year on the Treasury Management Strategy. The second was that return on the Local Authority Property Fund could be used for revenue purposes. This was included in the five year financial model and was part of £3.8m savings target approved in deficit reduction plan which Cabinet had agreed.

Mr Ward reminded the committee that their role was to consider the Financial Strategy from a risk perspective and to focus on the key recommendations at 3.1 (maintaining a minimum level of reserves) and 3.2 (maintaining the current provision of revenue support to smooth the impact of funding reductions).

The committee made comments, including the following:

- The rural grants which the council gives to rural shops – These are discretionary grants. These grants are applied to local businesses after any mandatory grants such as those announced by the chancellor since those will be at least partly funded by the government.
- The council was not using revenue reserves to fund recurring revenue expenditure, the exception to this being the cultural grants which were funded from revenue reserves and which expire next year. There was a proposal to Cabinet at its December meeting that future cultural grants be funded from base budget in future, if supported.

RECOMMENDED TO CABINET

- 1) That in the short to medium term the Council maintains a minimum level of reserves of £5m for general purposes.
- 2) That the current provision of £1.3m of revenue support be maintained to smooth the impact of funding reductions and volatility associated with localisation of business rates.
- 3) That 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.
- 4) That in order to achieve a balanced budget over the medium term, officers should monitor delivery of the agreed deficit reduction plan.

98 Treasury Management 2016-17 Mid-Year Progress Report

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

Mr Catlow presented the report. The committee made comments, including the following:

- The reason the council achieved an overall return of 1.38% against a benchmark for other district councils of 1.10% - This was because we have significantly more funds available to invest than other local authorities and therefore we had achieved higher returns for both internal investment and external funds.
- Centrica, Scottish Gas and Scottish Power corporate bonds – One of the ways a private sector organisation can raise funds is to issue corporate bonds. It is a loan we buy from a corporate entity and on maturity the entity will repay the principal plus the agreed interest. It is a debt instrument. The structure of a corporate bond is that they can be traded. We deal with a company called King and Shaxson who purchase bonds on our behalf and hold them in a custodian account. A lot of work was carried out when considering contracts and agreements; Counsel's advice was obtained and we satisfied the due diligence process to protect the council's interests.
- The first stage in choosing these bonds was to consider the protocols within the treasury management strategy. We regularly consider the ratings of companies and also get a weekly list of secondary bonds on offer; we then carry out a second level of due diligence by looking at their accounts or company warnings.

RESOLVED

That the Treasury Management 2016-17 mid-year progress report be noted.

99 Strategic and Operational Risks 2016-17

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

Mrs Belenger presented the report reminding the committee of the exempt element of the report on pages 91 -93.

RESOLVED

- 1) That the current strategic risk register and the internal controls in place, together with the associated action plans to manage those risks, be noted.
- 2) That the current high scoring programme board and organisational risks, together with the associated mitigation actions in place, be noted.

100 S106 exceptions report 2016

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

Mrs Dower and Mrs Peace presented the report. Mrs Peyman attended to answer queries. Three projects had reached their expiry date prior to 17 October 2016, all of which were five year notional expiry dates as opposed to the expiry date being explicit within the S106 agreement.

The committee made comments including the following:

- It was likely we would need to return some money to a developer in March 2017 in respect of a bus shelter in Westhampnett. We had received S106 money from WSCC to install and maintain a bus shelter. The shelter was installed by the council and it is being maintained by Westhampnett Parish Council. We were speaking to the parish council to establish whether there were any outstanding requirements before this money was returned to the developer.
- Boxgrove Sports Pavilion - The money had been allocated to a new sports pavilion and had received approval from the portfolio holder and from local district councillors. Quotes had been received for works and a planning application had been submitted for those works. The project was approved and money allocated before the notional date. We were now waiting for the project to commence.
- St Georges Hall – This has been approved and Chichester Contract Services (CCS) was awaiting delivery of the bench. This would be installed by the end of the month.

Mr Oakley, who had requested to speak on this matter, was invited to put forward his questions, as follows:

- Is the danger of handing back the monies removed when the money is allocated, handed to a third party, or spent? – The date for the Boxgrove item was a notional date so we had identified the expiry date. The developer had the right to request return of the money, however the advice from the legal team is that if we can confirm that the money was allocated then we had a strong enough case to fend off any legal claim.
- Concerns regarding Shippams items and the length of time to work up a project to allocation stage - were the ongoing studies with regard to Priory Park in sufficiently advanced stage to allocate or even spend by the due date? The projects which had been allocated to the Priory Park master plan were no longer going ahead as the master plan had been stopped. We had therefore written out to all clubs and organisations in the city to ask them to come back to us with projects that could be eligible for leisure funding. These applications would be reviewed in December to establish which projects were eligible and how quickly they could be taken forward. Mrs Peyman was aware that time was ticking on the public open space money. Work would be undertaken by consultants on a smaller master planning exercise and if projects came up then approval would be sought for projects from the head of service, portfolio holder and relevant district councillors. As these were actual expiry dates, they would be monitored closely.
- Tangmere sites, e.g. the windmill open space were examples of how long it took parish councils to work up and progress projects especially when working with third parties. Fortunately there are residual monies remaining from the original pot so the parish council was trying to spend the last few bits. It would be useful for parish councils to have clarity as to what they can spend this money on and the criteria when putting requests in to the council on particular projects – Parish councils were liaised with regarding which projects would be eligible or not. Repairs and maintenance was not suitable expenditure for S106 monies as the receipt of funds comes through for enhancements or for increasing access

opportunities. However we were willing to receive information from them at an early stage to let them know what was suitable expenditure.

- Would parish councils be discouraged from buying new items if the maintenance was considered to be too high for future? They were advised about the ongoing maintenance required when they made a proposal to buy something. Parish Council CIL receipts could be used to cover repairs and maintenance.
- Does CIL money cover maintenance of public art instalments? CIL was designed to assist growth in the area so public art was probably not covered.

RESOLVED

That the contents of this report concerning section 106 agreements nearing their expenditure date be noted.

101 Corporate Health & Safety and Business Continuity - Progress Update

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

Mr Townsend presented the report. The committee made comments including the following:

- The figures were higher for 2014-15 than 2013-14 as the Grange came on board; of the RIDDOR incidents four out of five were over 7-day injuries arising from waste collection activities. The Facilities Manager had also broken bones in his arm.
- A defibrillator is available in the building. Facilities staff and first aiders are trained in its use. Emergencies should be phoned through to 4444.
- Mrs Graves had had an accident with a swinging door and had seen her doctor and osteopath the next day. This incident had been included in the health & safety figures.
- The leisure centres would still be reporting health and safety incidents in their report to the contract manager, Mrs Peyman. A quarterly monitoring report is received which includes reports on incidents and accidents which is compared with previous years' figures and this is reported to the Commercial Programme Board.

RESOLVED

- 1) That the report on corporate health and safety and business continuity management be noted.
- 2) That future reports on health and safety be brought to the committee in June each year.

102 Budget Task and Finish Group - 2016 review

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

RESOLVED

- 1) That the terms of reference for the Budget Task and Finish Group be approved.
- 2) That the Mr Barrett, Mr Hicks and Mrs Tull be approved as the committee's representatives on this group.

103 **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.

104 **Internal Audit - 2016-17 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 Car Parks G4S Audit. The progress report was on target; three audits had been deferred however some time had been spent on the Car Parks G4S audit in lieu of other audits.

RESOLVED

- 1) That the Car Parks G4S Audit report and progress against the Audit Plan be noted.
- 2) That an update report be presented to the March meeting on the recommendations in the Car Parks G4S Audit.

The meeting ended at 11.16 am

CHAIRMAN

Date: