

**Minutes of a Meeting of the
Joint Governance Committee of
Adur District and Worthing Borough Councils**

Gordon Room, Town Hall, Worthing

Tuesday 30 January 2018

Councillor Elizabeth Sparkes (Chairman)

Adur District Council:

Councillor George Barton
Councillor Kevin Boram
Councillor Carol Albury
Councillor Ann Bridges
Councillor Jim Funnell
Councillor Paul Graysmark
*Councillor Barry Mear
*Councillor Geoff Patmore

Worthing Borough Council:

Councillor Lionel Harman
Councillor Paul Baker
Councillor Callum Buxton
Councillor Jane Sims
*Councillor Bryan Turner
Councillor Steve Wills
Councillor Mark Withers

*Absent

JGC/041/17-18 Substitute Members

There were no substitutions.

JGC/042/17-18 Declarations of Interest

There were no declarations of interest.

JGC/043/17-18 Minutes

The minutes of the Joint Governance Committee meeting held on the 28 November 2018, were agreed as a correct record.

JGC/044/17-18 Public Question Time

There were no questions from the public.

JGC/045/17-18 Items Raised Under Urgency Provisions

There were no urgent items raised.

JGC/046/17-18 Audit Planning Reports for 2017/18 for both Adur District Council and Worthing Borough Council

Before the Committee was a report from the External Auditor, copies of which had been circulated to all Members and a copy is attached to the signed copy of these Minutes as item 6.

Paul King and Hannah Lill from Ernst & Young attended the meeting to present the reports.

The Committee was informed that the contents of the Adur and Worthing Audit Planning reports were very similar and the auditors highlighted the following:-

1. The audit risks and areas of focus for both Councils:-
 - Misstatements due to fraud or error (management override)
 - Valuation of Land and Buildings
 - Pension Liability Valuation
2. The Planning Materiality for each of the Councils:-
 - £1.04m for Adur with uncorrected misstatements of £52,000 or more to be reported; and
 - £1.2m for Worthing with uncorrected misstatements of £61,000 or more to be reported.
3. The Value for Money Risks for each Council
4. The Audit Timeline

Members were advised that the dates included within the Audit Timeline would be adjusted to reflect the dates of Joint Governance Committee meetings agreed by Adur and Worthing Councils at their meetings in February 2018. It was noted that the Statement of Accounts would now need to be signed off in July rather than September. This would shorten the timeline significantly and therefore careful planning and dialogue would be required.

A Member questioned the increase in the planned fees identified for Adur District Council. It was noted that the indicative fee was set by Public Sector Audit Appointments Ltd (PSAA) and was based on the outturn from 2015/16 (2 years ago). The auditor advised that the actual fee would be based on the amount of audit work undertaken and therefore the fee may be revised upwards or downwards.

Resolved,

The Joint Governance Committee noted the contents of the Audit Planning Reports for both Councils.

JGC/047/17-18 Annual Audit Letter for 2016/17

Before the Committee was a report by the External Auditor, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 7.

The Committee was informed that an unqualified value for money conclusion had been issued for both Adur and Worthing Councils.

A significant risk had been identified for both Adur and Worthing Councils, namely 'the Councils would not be able to plan their finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions'. This was because the Councils continued to face significant financial challenges over the coming years.

A Member identified that a significant level of Adur Council's future revenue would come from investment in property. He questioned whether there were sufficient plans in place to mitigate the risks associated with the level of materiality, investment in property required in order to realise Adur's medium term plan.

The External Auditor advised that it was dependent on the assumptions made and these would be looked at by the auditors on both the revenue and the cost side. It was noted that there was always an element of uncertainty and risk in terms of projecting forwards for any period of time. The auditors would consider the degree to which the authority was committing to property investments and the size of the revenue returns to see whether they looked reasonable in the context of the advice that the authority had received.

Resolved,

The Joint Governance Committee noted the contents of the Annual Audit Letters for both Councils.

**JGC/048/17-18 Joint Treasury Management Strategy Statement and
Annual Investment Strategy 2018/19 to 2020/21,
Adur District Council and Worthing Borough
Council**

Before the Committee was a report by the Director for Digital & Resources, copies of which had been circulated to all Members and copies are also attached to the signed copy of these Minutes as Item 8.

The report requested that Members approve and adopt the contents of the Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19 to 2020/21 for Adur and Worthing Councils, as required by regulations issued under the Local Government Act 2003.

Members were informed that CIPFA had issued revised Prudential and Treasury Management Codes in December 2017. As from 2019/20, all local authorities would be required to prepare a Capital Strategy report, to provide:-

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk was managed;
- the implications for future financial sustainability.

The Committee noted that the CIPFA Code also required the responsible officer to ensure that Members with responsibility for treasury management received adequate training. Training had been provided for Members by Capita Asset Services, in June 2017 and further training was scheduled to take place on 19 June 2018.

Officers informed the Committee that all institutions investing in MIFID II products were required to opt up from retail investor status to professional status. The Councils were required to opt up to professional status in order to be able to continue to invest with many of their counterparties. A list of counterparties was provided in Appendix B to the report.

Members noted that as a result of the EU approved Money Market Fund Regulation, due to come into force in July 2018, the Councils approved investment schedules had been amended to include reference to appropriate Low Volatility Net Asset Value (LVNAV) funds.

A Member expressed concern that Adur District Council would be investing up to £25m per year in property, which could result in £100m of property investment by 2020/21, and that Adur currently had available reserves of just over £1m. It was suggested that a small movement in the valuation of the property investment fund could have a significant impact on the available reserves. The Member stated that the report provided a lot of detail about how the Council safely invested monies on the money market, but there was nothing about how the Council would govern and manage the risk in respect of investment in property.

Officers replied that although Adur District Council allocated £25m a year to the Strategic Property Fund, the Council would not necessarily spend £25m a year. A cautious approach had been taken with a strong emphasis on investing in property with good tenants who had relatively long leases. The management of the fund had been / would be approached in a similar way to a pension fund i.e. looking for long term rental yields rather than capital growth. It was noted that the property fund was managed by the Estates Team and that Members comments regarding the governance and management of risk would be shared with them.

Officers suggested that a report be brought back to the Committee in May, providing a full briefing on the Prudential Code, the Indicators the Councils need to consider and how that would influence the Capital Strategy and the Treasury Management Strategy going forward. The report could also set out how the Councils were approaching risk and the management of the property portfolio.

Resolved,

The Joint Governance Committee:-

1. noted the report (including the Prudential Indicators and Limits, and MRP Statements) for 2018/19 to 2020/21;
2. agreed that the comments raised be referred to the Joint Strategic Committee meeting on the 1 February 2018.

JGC/049/17-18 Disaster Recovery Test

Before the Committee was a report by the Director for Digital & Resources, copies of which had been circulated to all Members and copies are attached to the signed copy of these Minutes as Item 9.

The report provided an overview of the proposed Information Technology (IT) Disaster Recovery (DR) test, which was scheduled for the weekend of the 16/17 June 2018. The following weekend (23/24 June) had also been booked as a contingency, in case the earlier proposed date had to be cancelled due to unforeseen circumstances.

The Committee was notified of the reasons for the cancellation of two scheduled DR tests in 2017 and of the importance of conducting a test. Members noted that the Councils had built resilience through use of the Google Mail system which had a service level agreement of 99.98% availability performance. Other services had also been migrated over the last 2-3 years to more resilient and reliable platforms such as the contact centre which now used a CRM system provided by Salesforce which also had a 99.99% availability performance.

A Member questioned where the Councils data would be stored when it was moved to the cloud. The Committee was informed that the Councils had been very careful not to be leading edge but had followed good practice instead. The Councils had followed the guidance and configuration recommendations from the National Cyber Security Centre (NCSC) for the use of the Google Platform. Members noted that the use of Google Mail had expanded during the last few years and was now being used by the Department for Work and Pensions, the Ministry of Justice and a number of other central government departments. Officers advised that there were a number of accreditations that the cloud providers had to satisfy which were managed by the NCSC. The Councils knew that when the NCSC provided assurance, the platforms were safe and secure and data was handled in accordance with EU regulations.

Members were advised that although Google data was not held within the EU, the way that data was being held, had been assured by central government. The data from the other platforms used by the Councils, such as Salesforce, was stored within the EU. It was noted that the large global cloud providers were building data centres in the UK and the Councils may opt to hold data in these locations in future.

A Member highlighted that the Councils had a Strategic Duty Officer on call every day who was trained to provide leadership in an emergency situation.

Resolved,

The Joint Governance Committee noted the proposals for the Disaster Recovery test in June 2018.

The meeting was declared closed by the Chairman at 7.25pm, having commenced at 6.30pm.

Chairman