

## AUDIT, BEST VALUE AND COMMUNITY SERVICES SCRUTINY COMMITTEE

MINUTES of a meeting of the Audit, Best Value and Community Services Scrutiny Committee held at Committee Room, County Hall, Lewes on 15 July 2016.

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PRESENT	Councillors John Barnes (Vice Chair), Laurence Keeley, Carolyn Lambert, Peter Pragnell and Bob Standley
LEAD MEMBERS	Councillor Chris Dowling, Lead Member for Community Services Councillor David Elkin, Lead Member for Resources
ALSO PRESENT	Kevin Foster, Chief Operating Officer Russell Banks, Head of Assurance Marion Kelly, Chief Finance Officer Bethan Hampson, Executive Officer Ola Owolabi, Head of Accounts and Pensions Nick Skelton, Assistant Director Communities John Stebbings, Chief Property Officer Matt Scott, Chief Information Officer Stephen Potter, Head of Customer and Library Services Philip Baker, Assistant Chief Executive

### 1 MINUTES OF THE MEETING HELD ON 15 MARCH 2016

1.1 RESOLVED to approve as a correct record the minutes of the meeting held on 15 March 2016.

### 2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillor Mike Blanch. It was noted that Councillor Kathryn Field was substituting for him.

### 3 DISCLOSURES OF INTERESTS

3.1 Councillor Standley declared a personal interest in item 6, as a member of the Pension Committee, but he did not consider this to be prejudicial.

### 4 URGENT ITEMS

4.1 There were none.

### 5 REPORTS

5.1 Reports referred to in the minutes below are contained in the minute book.

## 6 REVIEW OF THE KPMG REPORT TO THOSE CHARGED WITH GOVERNANCE AND STATEMENT OF ACCOUNTS FOR 2015/16

6.1 The Committee considered a report by the Chief Operating Officer which presented the ISA260 report to those charged with governance, ahead of the report being presented to the Governance Committee.

6.2 Philip Johnstone and Scott Walker of external auditors KPMG attended the meeting to present the report and key findings including the unqualified “true and fair” audit opinion and value for money conclusion that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The external auditors thanked the Finance Team for their dedication in preparing the accounts, which were of a very high standard, ahead of schedule. This assisted the smooth auditing of the accounts, and prepares the Council to meet the revised audit timescale requirements in future years.

6.3 Philip Johnstone highlighted the following points:

- There were no uncorrected or material differences to report.
- One asset previously identified as surplus was still occupied, and so reported as an adjusted audit difference.
- The need for departments to report accurately anything that might affect the classification in the Property Plant and Equipment (PPE) balance.
- The key significant risks remain: accounting for local authority maintained schools; assuring the fair value of PPE; management override of control and fraud risk of revenue recognition.
- With regard to Value For Money, there remains an outstanding objection to the Bexhill Hastings Link Road, which it was hoped would be settled presently and the opinion issued on the 2014/15 accounts, and the Better Care Fund has been added as an area of work as the joint arrangements are new.

6.4 The Committee discussed the following areas in detail:

### Accounting for local authority maintained schools

6.5 The schools will remain on the Council’s balance sheet until such time as the Diocese of Chichester can conclusively establish ownership and register their title. The research into title has been protracted owing to the nature of the records and their archiving. The Committee commented on the issue of ownership of school buildings built by the Council on land that it is subsequently established is owned by the Diocese.

### Reserves

6.6 The Committee discussed the distinction between Useable and Unuseable reserves. It was clarified that Useable reserves, such as the Schools General Fund, were those earmarked for specific purposes. Unuseable reserves are those that can only be used at the direction of the Secretary of State, such as for the settlement of equal pay claims.

6.7 **RESOLVED** to (1) note the report and its appendices;  
(2) confirm that there are no concerns arising from the Independent Auditor’s (KPMG) Report or the management response to it, that need to be brought to the attention of the Governance Committee; and  
(3) record their thanks to the Finance Team for their work in assisting with the external audit.

## 7 REVIEW OF THE KPMG REPORT TO THOSE CHARGED WITH GOVERNANCE AND PENSION FUND ANNUAL REPORT FOR 2015/16

7.1 The Committee considered a report by the Chief Operating Officer which presented the ISA260 report to those charged with governance ahead of the report being presented to the Pension Committee.

7.2 Philip Johnstone and Scott Walker of external auditors KPMG attended the meeting to present the report and key findings, including the unqualified “true and fair” audit opinion. The Committee discussed the duty of the Pension Fund to secure a return for its investors.

7.3 RESOLVED to (1) note the report and its appendices; and (2) confirm that there are no concerns arising from the Independent Auditor’s (KPMG) Report or the management response to it, that need to be brought to the attention of the Pension Committee.

## 8 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2015/16

8.1 The Committee considered a report by the Chief Operating Officer which provided an opinion on the County Council’s control environment for 2015/16, and the major findings from audit reviews completed during quarter 4. The Head of Assurance confirmed that he was able to provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control.

8.2 The Head of Assurance clarified the position in respect of those audit reviews that had been rated as minimal assurance. The ESCC Microsites review had only been recently completed and is scheduled for a follow up review taking into account input from the Information Strategy Board. The Public Health Local Service Agreements review is now rated as substantial assurance at the conclusion of the follow up review. The Head of Assurance also confirmed that the Personnel Support Unit had been instructed as to the need to obtain and retain evidence regarding increased senior leadership salaries in schools.

8.3 The Committee discussed the schools audit programme and the lack of full assurances. The Head of Assurance set out the background to the programme and the training of schools’ senior leaders, and that further reviews will be undertaken to gauge the effectiveness of the training. The Committee suggested that the Dioceses could be engaged more effectively, especially if concerns remained after a follow up review.

8.4 The Chief Information Officer explained the complexity of the issue of Staff Transfers and Leavers which was subject to an opinion of partial assurance. He set out the responses to the audit recommendations, including a weekly scan of access to the Council’s systems, and a suspended account area, into which accounts are moved after 30 days of non-activity. The recruiting manager is then contacted regarding how to proceed.

8.5 Managers were identified as key to the process, in terms of providing accurate and timely information on staff movements, either within the organisation when access to information previously available is no longer appropriate, or on leaving. The Chief Information Officer also set out that as much of the process as possible was automated through HR.

8.6 RESOLVED to (1) note the internal audit service’s opinion on the Council’s control environment; (2) confirm that there are no significant control issues that should be included in the Council’s annual governance statement for 2015/16; and (3) agree that the Council’s system for internal audit has proved effective during 2015/16.

## 9 INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2016/17

9.1 The Committee considered a report by the Chief Operating Officer. The Head of Assurance highlighted the work undertaken jointly with Surrey County Council and Brighton & Hove City Council's Internal Audit Teams and the potential for further integration.

9.2 The Committee discussed the auditing of the Community Infrastructure Levy (CIL) and Section 106 Agreements. The Head of Assurance set out that the Plan captured high level assessments of potential risks, with further details once the scope of the audit work had been identified. He further confirmed more work would be done on Contract Management in connection with the procurement transformation.

9.3 RESOLVED to endorse the Council's Internal Audit Strategy 2016/17 and Annual Plan.

## 10 MONITORING OFFICER'S ANNUAL REVIEW OF THE CORPORATE GOVERNANCE FRAMEWORK

10.1 The Committee considered a report by the Monitoring Officer, which set out the internal controls in place to ensure compliance with the Council's code of corporate governance, to be considered by the Governance Committee at its meeting on 19 July.

10.2 The Monitoring Officer highlighted that the CIPFA guidance was being revised for 2016/17, and that a review had been undertaken of how the Council's current policies and practices align with the new principles.

10.3 The Committee discussed audits of schools, and the powers of intervention the Council holds, with particular concerns where a school which receives an unsatisfactory audit verdict acts as a mentor to other schools. The Head of Assurance set out that audits and any concerns are shared with Governing Bodies and senior school managers, but the Council had limited powers of intervention. The Monitoring Officer agreed to bring the matter to the attention of the Governance Committee when they consider the Assessment.

10.4 RESOLVED to (1) note the report to the Governance Committee and its appendices; and  
(2) bring the issue raised at minute 10.3 to the attention of the Governance Committee.

## 11 STRATEGIC RISK MONITORING - QUARTER 4 2015/16

11.1 The Committee considered a report by the Chief Operating Officer. It was confirmed that the September report would reflect national changes in the political landscape, and that implications of the Referendum result would be addressed through the Reconciling Policy Performance and Resources process.

11.2 RESOLVED to note the report.

## 12 FORMER ST. ANNE'S SCHOOL SITE, LEWES

12.1 The Committee considered a report by the Scrutiny Panel, established at the March Committee meeting, to examine whether any future scrutiny work was required in respect of the St Anne's site disposal.

12.2 The Committee discussed the length of time the process had taken from the closure of the school in 2005, and the desirability of avoiding a similar situation in future. The Committee suggested a review period should be included in future protracted negotiations, and it was confirmed that the ongoing review of property policies could address this point. The Committee requested that consideration be given to the interaction of the policies with the SPACES programme.

12.3 The Chief Operating Officer confirmed that the community transfer of the St. Anne's site was no longer viable, even to previous bidders, and that alternatives were being considered including Community Asset Transfer.

12.4 RESOLVED to (1) not carry out any further scrutiny of the process used to dispose of the St Anne's site;  
(2) agree in principle to undertake a review of the Community Asset Transfer (CAT) and "Meanwhile Use" policy within the context of the suite of interrelated property policies that exist, with a decision on whether to proceed to be taken in September;  
(3) request sight of proposals for the future disposal of St Anne's site before a final decision is taken, but only if it is proposed to dispose of the site at less than market value; and  
(4) retain an overview of all related proposed property disposals at less than market value, such as community asset transfers (CATs).

### 13 PROPERTY INVESTMENT STRATEGY PRESENTATION

13.1 The Committee considered a presentation by the Chief Property Officer, a copy of which is in the Minute Book.

13.2 The Chief Property Officer explained the background to the proposals, including the uncertainty regarding future funding models based on a reliance on Council Tax income and retention of local business rates. An assessment of asset potential by consultants CBRE was highlighted, which showed the distribution of office, industrial, retail and residential assets within the county and immediate surroundings (Brighton, Haywards Heath, Crawley).

13.3 A Property Investment Company, established as a body independent of the County Council, is the most efficient way of enabling the County Council to invest in property outside of the county. Returns generated from that investment could then be re-invested in income generating assets inside the county, to support regeneration and development of the local economy. The Committee discussed the principle of the County Council forming a Property Investment Company, with the potential impacts on competition

13.4 It was confirmed that: any new organisation would be a company limited by guarantee by the County Council; that officers could act as directors of the limited company; and that profits would be returned to the County Council. Surrey County Council runs a property investment team successfully through officers with a full understanding of their assets and markets.

13.5 The Committee suggested areas for exploration, such as health and social care infrastructure including GP practices, integration with the SPACES programme, and retail opportunities for new start-up businesses. Officers were advised to consider the risk profile and return period of any investment. It was clarified by the Chief Property Officer that the principal driver of the Strategy was investment in existing income-producing assets, that could be relied on to provide an income stream for investment in the East Sussex economy.

13.6 It was confirmed that the target for any Property Company would initially be to cover its operating costs and to generate a steady low risk yield, of 1-2% of the value of any asset acquired, which could be relied on in future budgets.

13.7 RESOLVED further to investigate the development of a property investment strategy to generate income to continue delivery of the Council's priority of encouraging economic growth. Officers were encouraged to be ambitious while maintaining consciousness of being guardians of tax payers' money.

#### 14 LIBRARY OPENING HOURS PROPOSALS AND LIBRARIES' TRANSFORMATION PROGRAMME UPDATE

14.1 The Committee considered a report by the Director of Communities, Economy and Transport which presented the report to Cabinet and invited the Committee to provide comments to assist the Cabinet.

14.2 The Assistant Director Communities set out the changes to the proposed opening hours, made as a result of the public consultation. The Committee noted that the proposals were based on the evidence, and welcomed the scope of the consultation. It was confirmed that District, Borough and Town Councils would be consulted as part of the next stages of the Libraries Transformation Programme.

14.3 The Committee discussed Seaford Library and the continued provision of the café outlet. The Head of Customer and Library Services confirmed that the loss of the café was temporary, and that the reduced opening hours would not act as a deterrent to any new operators.

14.4 The Committee discussed the re-establishment of the Reference Group, to work alongside officers during the development of the Transformation Programme. The Committee expressed interest in income generation, and ways of developing or replacing the mobile library offer, with particular reference to the pilots undertaken at Old People's Homes. The development of electronic access to the Service, and of the input of volunteers, was promoted by the Chair, in particular in the rural parts of the County.

14.5 The Lead Member for Community Services praised the work of the officers involved in the Programme, the thorough consideration of the consultation responses and the resultant amendments to the proposals. He noted that where opening hours had been changed it was during the quietest parts of the day, so minimising the impact on the public. The Lead Member welcomed the support of the Scrutiny Committee.

14.6 RESOLVED to (1) endorse the report to Cabinet; and (2) re-establish the Committee's Libraries Transformation Programme Reference Group and hold a meeting in September.

#### 15 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

15.1 The Committee considered the Committee's Work Programme, and discussed the suite of property policies that are under review. The Committee also discussed the Agile Reference Group and the need to finalise a date for the Group to consider the outcomes and legacy indicators of the project.

15.2 RESOLVED to note the Work Programme.

#### 16 FORWARD PLAN

16.1 The Committee considered the Forward Plan.

16.2 RESOLVED to note the Forward Plan.

The meeting ended at 12.35 pm.