



## **Cabinet** **25 May 2011**

### **Report of the Performance and Audit Scrutiny Committee: 26 April 2011**

#### **1. Key Performance Indicators: Fourth Quarter 2010/2011**

- 1.1 Members considered the fourth quarterly report for 2010/2011, which provided data for the year 2010/2011. A total of 36 indicators were reported, of which 16 were green, 6 amber and 6 red. The final 8 were contextual indicators.
- 1.2 Members discussed a number of the indicators, including the number of visitors to heritage sites and the number of minor planning applications determined within 8 weeks. Members also suggested that some of the quarterly targets should be profiled to reflect their seasonality, such as the number of shopmobility users and levels of detritus.

#### **2. Council Improvement Plan**

- 2.1 In May 2010 Cabinet approved the Council Improvement Plan for 2010/2011. This Plan brings together a range of actions to help the Council achieve further improvements in its performance.
- 2.2 The Committee considered an end of year progress report on the implementation of the Council's Improvement Plan, which was also included on the Cabinet agenda on 27 April 2011. The Committee's comments on the plan were reported verbally to the Cabinet at that meeting, where it was also reported that the Committee had observed that the document may be more relevant for review by the Overview and Scrutiny Committee, and this will be discussed at the next briefing between the Leadership and scrutiny chairs.

#### **3. Biannual Corporate Complaints and Compliments Digest**

- 3.1 Twice yearly the Committee receives an overview of the quantity and range of corporate complaints received over the previous half year, which the Committee uses to monitor the Council's effectiveness at responding to and learning from any mistakes which have been made. For the second half of this financial year, 19 corporate complaints had been received. In total, 49 had been received during 2010/2011, compared with 30 during 2009/2010 and 42 in 2008/2009.
- 3.2 The report also highlighted the 42 compliments that had been received during the reporting period. In total 72 compliments were received during 2010/2011.

3.3 The Committee considered the digest and discussed some complaints in more detail, and asked for clarification on when a service suggestion became a complaint. A discussion on the cyclical maintenance cycle in the Council's Tree Strategy led to a request for a briefing note on how to deal with common tree queries to be included in a future Members' Bulletin. The Committee also noted that the quantity of compliments received remained high.

#### **4. Audit Commission Presentation of Audit Plan: Audit 2010/2011**

4.1 This report from the Audit Commission set out the 2010/2011 audit work which the Commission proposed to undertake for the audit of financial statements and the value of money conclusion.

4.2 A proposed timetable for the audit was noted by Members, as well as details of fees to be charged, and reports to be received by the Committee across the year.

#### **5. Internal Audit Annual Report 2010/2011 and Outline Audit Plan 2011/2012**

5.1 The Committee reviewed the work of the Internal Audit Team during 2010/2011 and approved an outline Audit Plan for 2011/2012. Information provided to Members included the role of and requirement for Internal Audit, and resources available to the Team. Work covered during 2010/2011 included areas of corporate work, as well as financial and information systems audits, involving audit reviews of 31 areas of the Council's work. The Committee discussed the main findings of the audits undertaken.

5.2 Additionally, the Audit Manager was required to give his audit opinion to the Committee, and based on the work undertaken during the year, Internal Audit could provide reasonable assurance that the systems of internal control and risk management systems were operating adequately and effectively.

5.3 The outline Internal Audit Plan for 2011/2012, which was formally approved by the Committee, provided for the annual review of all the main financial systems, together with corporate governance review and support, and the audit of a number of operational areas chosen using a risk based methodology.

#### **6. Budget Monitoring Report: 1 April to 28 February 2011**

6.1 The Committee received the quarterly budget monitoring report which informed Members of the Council's financial position for the period to 28 February 2011, and highlighted significant variances. Overall an underspend for the period of £603,000 was being reported, and budget variances over £10,000 were explained in the report. Favourable variances included underspends on the budget including salaries increase of 1% included in estimates but not required (£143,000), refuse and cleansing operational costs underspend (£169,000) and a number of small underspends across a range of budgets. There had also been income above budget realised in areas including industrial, commercial and shops rental income (£190,000), and car parking income (£127,000).

- 6.2 Adverse variances included budget overspends of £344,000, including £93,000 relating to costs remaining after responsibility for Highways reverted to Suffolk County Council, and income below budget of £194,000, including £32,000 on underachieved investment income.
- 6.3 The capital budget monitoring report showed net expenditure of £3,815,000 compared to a full year revised capital budget of £8,594,000, partly due to slippage in the programme. The capital disposals programme showed capital receipts for the period of £164,000 against a full year disposals estimate of £1,126,000.
- 6.4 A number of issues were discussed by the Committee, including the over and underspends relating to The Apex which balanced out to a £17,000 overspend, and underspends in Environmental Health and Community Development.

## **7. International Financial Reporting Standards (IFRS) Preparations**

- 7.1 The 2007 HM Treasury Budget report announced that UK public sector organisations would in future be required to adopt IFRS standards in the presentation of their annual accounts. For local authorities, the first IFRS based financial statements were required to be produced for the 2010/2011 financial year. The production of IFRS compliant accounts represented a significant amount of additional work, and preparatory work for the implementation of IFRS, including the implementation of specialist capital accounting software, was progressing well.
- 7.2 The Committee considered an overview of the main findings of the Audit Commission's latest national survey on local authorities' IFRS preparations, an update on the Council's preparations for implementation, and information on the changes in arrangements for the reporting of financial statements to Members. The Committee was pleased to note that the Audit Commission had indicated that the Council's IFRS preparations were assessed as on track. However, in common with most other Councils surveyed by the Audit Commission, the Council's original IFRS programme had suffered delays due to factors including delay in the publication of guidance and the implementation of specialist software. It was, therefore, imperative that the Finance team prioritise the IFRS and accounts closure work.
- 7.3 The Accounts and Audit Regulations 2011 had made changes to the accounts approval process, which, as far as the Committee was concerned, meant there was no longer a requirement for Members to scrutinise the draft financial statements in June each year. However, the Committee was still required to receive and scrutinise the audited statements of account prior to submission to full Council and publication. The Committee approved the future arrangements for the scrutiny and approval of the Council's financial statements, which would mean the Committee no longer reviewing draft financial statements prior to their submission to external audit for review, but instead receiving a detailed budget outturn report at its first scheduled meeting after the 30 June audit deadline. The audited statements of accounts would then be submitted for Committee scrutiny at a special meeting in September each year, prior to full Council approval and publication, normally by 30 September each year.

## **8. Corporate Risk Register: Quarterly Monitoring Report**

- 8.1 The fourth quarterly risk register monitoring report for 2010/2011 had been prepared following review by Management Team and Corporate Management Team. One new risk had been added to the register in this quarter, *'Localism Bill and Public Sector Reform Bill'*, concerning two bills which contained potentially far reaching impacts on the entire infrastructure of local authorities.
- 8.2 One risk had been closed, *'Concessionary Fares'*, as the responsibility for concessionary fares had passed to Suffolk County Council, and there was no longer any risk of further legal action by bus companies.
- 8.3 A number of residual risk colours had changed, and these were presented to the Committee. The Committee discussed a number of the risks in this quarter's report, including the move towards Shared Services, refurbishment of Bury St Edmunds Leisure Centre, commitment to Haverhill, unsustainable workload and provision of sites for Gypsy and Traveller communities.

## **9 Annual Procurement Report: 2010/2011**

- 9.1 This annual report updated the Committee on progress with the Council's procurement in 2010/2011. Progress achieved during 2010/2011 included procurement savings of £433,071, which were set out separately in an appendix; an annual spend analysis and spend review meetings with relevant departments to set procurement priorities and savings plans; production of a procurement newsletter; and procurement of an electronic tendering and contract management system, to be rolled out in May/June 2011. There had also been a number of collaborative procurement initiatives, which were set out in the report.
- 9.2 A short discussion took place on the savings made through the Facilities Management Services contract and the operational buildings cleaning services contract, and a more detailed breakdown on where the savings were made was requested.

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