



Council 29 June 2010

CABINET MEMBER REPORT TO FULL COUNCIL

Written report by Cllr Paul Farmer, Resources and Efficiency Portfolio

Portfolio includes:

- Accountancy;
- Internal Audit;
- Use of Resources and Best Value;
- Benefits;
- Budget setting and management;
- Revenues and Investments;
- Payments;
- Payroll;
- Procurement; and
- ICT infrastructure and support.

Summary:

- **Final Accounts for 2009/2010 complete.**
- **Investment performance for 2009/2010 above target, but 2010/2011 already slightly below target.**
- **Benefits claims stabilising.**
- **2009/2010 collection rates slightly below target, although a good start to 2010/2011.**
- **Anglia Revenues Partnership update.**

1. Financial Services

1.1 Accountancy: Accounts Closure, and International Financial Reporting Standards

- 1.1.1 Financial Services have now completed the draft 2009/2010 Statement of Accounts, which is a separate item on this Council agenda (Report B77 refers). Once approved by Council, the accounts will be subject to external audit by the Audit Commission prior to their publication in September 2010.
- 1.1.2 Meanwhile, work is continuing on preparations for the implementation of International Financial Reporting Standards (IFRS) with effect from the 2010/2011 accounts. As 2009/2010 is deemed to be a transitional year, we are already looking to present accounting figures for the year both under the existing accounting rules, based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice, and the new international accounting regime under the International Financial Reporting Standard (IFRS) for comparative data in the 2010/2011 accounts.

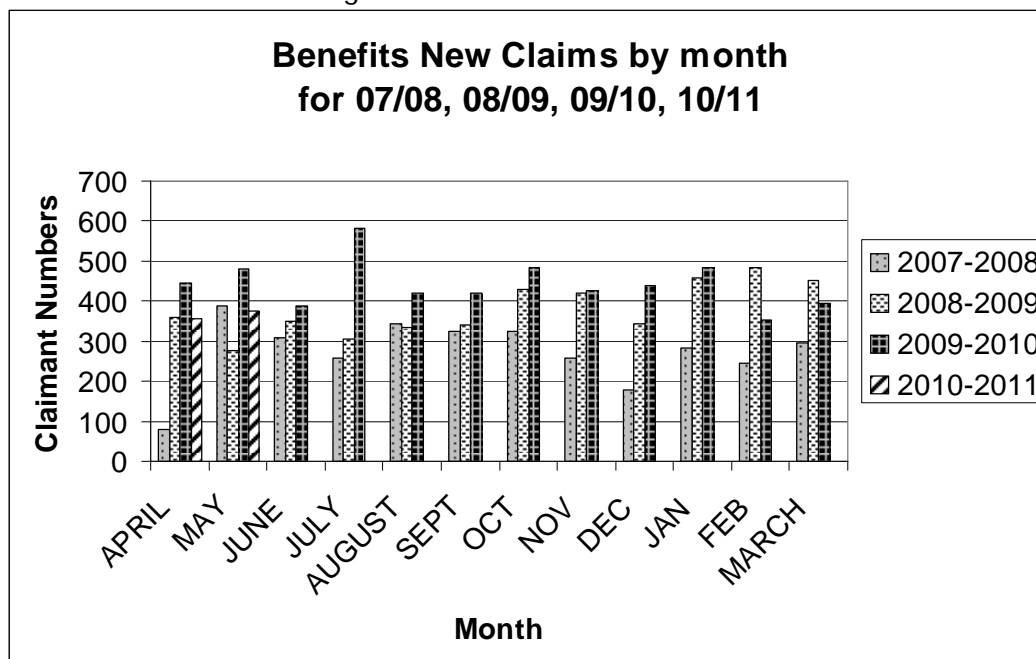
1.2 Investments

- 1.2.1 The Council's treasury management function involves the management of substantial cash flows and investments and, therefore, warrants regular member consideration. In view of recent banking crisis, and in particular the collapse of the Icelandic banks, CIPFA has issued a revised Treasury Management Code of Practice (the Code), which was approved by Council on 23 February 2010 (Minute 99 (B)(1) refers).
- 1.2.2 In order to fulfil the enhanced reporting and scrutiny requirements of the Code, it was resolved that a Treasury Management Sub-Committee of the Performance and Audit Scrutiny Committee be set up. Arrangements for the establishment of this sub-committee, including terms of reference, membership and meetings arrangements, were approved by the Performance and Audit Scrutiny Committee at its meeting on 26 April 2010 (Minute 53 refers). The first meeting of the Sub Committee is to take place in July 2010. In the meantime arrangements are being put in place to ensure that the appointed members of the Sub Committee receive sufficient training to enable them to effectively scrutinise the Council's treasury management function.
- 1.2.3 Despite the recession and the collapse of interest rates over the past year, it is pleasing to note that during 2009/2010 the Council's treasury management activities still managed to exceed the budgeted rates of return on investments. Budgeted investment income for 2009/2010 was £751,000, equivalent to £19.87 for each Council Tax band D property. The actual interest earned during the year was £1,096,951, equivalent to £29.03 per band D property. This represents a budget surplus of £345,951.
- 1.2.4 The over achievement of interest on investments during this period was due to higher than expected interest rates, representing £41,006, and to slippage on the capital programme and other cash flow advantages, representing £304,945. The investment rate achieved for the year was 2.32% against a target rate 2.2%.
- 1.2.5 However, looking at investment income for the first 2 months of 2010/2011, it is clear that investment markets are continuing to be squeezed. Budgeted investment income for 2010/2011 is £566,000, £14.91 per band D property, representing a target investment rate of 1.5%. This estimate was based on an assumption that the base rate would continue to be held at 0.5%, an historic low, until the final quarter of the year when it would start to rise. Investment income for the first 2 months of the financial year has been badly hit by the continued and unprecedented slide in investment returns, and the maturity of the majority of the Council's higher paying fixed term investments.
- 1.2.6 Actual investment income achieved during April and May 2010 is £85,142 against budgeted income for the period of £94,592 an underachievement in investment income of £9,450. This represents an average rate of return of just 1.26%. This is, therefore, already set to be a very challenging year both for the Council's treasury management team and the newly established Treasury Management Sub Committee, if budgeted levels of investment income are to be achieved.

2. Revenues and Benefits

2.1 Benefits

- 2.1.1 The level of new claims dropped in April and May 2010, compared to the 2009 figures, as can be seen in the following table.



2.2 Revenues

- 2.2.1 Final returns for collection indicated that we reached and exceeded our target for Council Tax with 99.1%. The calculated rates for April 2010 however show that we were 0.25% down on the rate collected as at the end of April 2009, although we pulled that back a bit in May and are now only 0.07 down on this time last year.
- 2.2.2 Final returns for Non Domestic Rates came in at 97.8%, which was below target of 98.5% as we had been predicting. 2010 has got off to a good start though with us being 0.10% up on this time last year for April and 2.52% up for May.

2.3 Anglia Revenues Partnership

- 2.3.1 Meetings have already started following the Cabinet recommendation that 'following a period of implementation planning and detailed due diligence' the team will join Anglia Revenues Partnership (ARP) in April 2011. We are starting to dedicate resource to looking at amalgamating processes and procedures. We are working hard to ensure that performance does not suffer, but it should be noted that there is a significant amount of work involved, not least of which is a major IT migration to a new software package.
- 2.3.2 There are also changes following the loss of some long standing members of staff within the team due to retirement and resignation. Staff turnover is also now increasing, as those on temporary contracts find alternative employment within the authority. Where possible, any vacancies are being covered by existing staff at ARP and in turn we are helping them in areas where they have vacancies.

3. Internal Audit

3.1 Statutory Annual Audit Plan

- 3.1.1 Work on the audits contained within the 2009/2010 Audit Plan was completed by the year end, allowing a robust annual audit opinion to be issued by Internal Audit within the Annual Internal Audit Report presented to Performance and Audit Scrutiny Committee in April 2010. This was a favourable audit opinion and the conclusion drawn was that reasonable assurance could be provided that systems of internal control within the Council's fundamental financial and risk management systems were operating adequately and effectively.
- 3.1.2 The 2010/2011 Audit Plan was approved by the Performance and Audit Scrutiny Committee in April 2010 following consultation with Management Team and the Audit Commission, as well as valuable input from the Chairman and Vice Chairman of the Performance and Audit Scrutiny Committee.
- 3.1.3 Work on audits contained within the 2010/2011 Audit Plan has now commenced and a number of audits are in progress including systems regarding grant payments, data protection, and cash handling procedures. In addition, a number of 'follow up' audits, mini audits to check that previously agreed recommendations have been actioned, have already been completed. Results of these and other audits will be reported to the Performance and Audit Scrutiny Committee in the Mid Year Internal Audit Progress Report 2010/2011 in October 2010.

3.2 Corporate Internal Audit Work

- 3.2.1 Internal Audit lead the work on the Annual Governance Statement (AGS) including the detailed work on the assurance framework self-assessment document and evidence gathering exercise which underpins the AGS. This is a significant corporate document, the AGS itself being signed by the Leader of the Council and the Chief Executive Officer. The 2009/2010 AGS will be presented to the Performance and Audit Scrutiny Committee on 24 June 2010 for recommendation for approval at this meeting of Full Council.
- 3.2.2 Internal Audit has also led the work this year on the review of the Code of Corporate Governance, resulting in a revised Code being presented to the Performance and Audit Scrutiny Committee also on 24 June 2010. The revisions to the Code were made in response to new guidance, issued in March 2010, regarding the application of recent CIPFA guidance on the role of the Chief Finance Officer.

3.3 Raising Fraud Awareness

- 3.3.1 Internal Audit has produced a fraud survey which was sent out to all staff with their April 2010 payslips, aimed at determining the level of fraud awareness within the Council. The results of this survey are currently being analysed to measure the success of the recent initiatives to raise fraud awareness within the Council. These initiatives have included the introduction of regular fraud newsletters, a fraud e-learning package, and a fraud awareness page on the intranet. The summer fraud newsletter is currently being prepared.

4. Procurement

4.1 EU Tender for Facilities Management completed

4.1.1 The Council has completed the European Union (EU) Tender process for the Facilities Management services for West Suffolk House and other operational buildings. The Council was lead authority in this collaborative procurement exercise, in partnership with Suffolk County Council and Havebury Housing Partnership. This tender generated significant interest from suppliers, and received initial interest from 51 suppliers. It was a complex and lengthy process to conclude this tender, the outcome of which will deliver savings of £247,000 per annum for participating authorities.

4.2 'Procurement Newsletter' introduced

4.2.1 An internal procurement newsletter has now been introduced, which will act as a communication platform for everyone connected to any procurement activities within the Borough Council. This quarterly newsletter will provide a brief update on procurement activities, procurement regulations, procurement best practice initiatives and other relevant procurement news and information.

4.3 Collaborative Procurement for Occupational Health Services

4.3.1 The Council is currently leading a collaborative procurement exercise for occupational health services in partnership with Forest Heath District Council. This procurement exercise is expected to be completed by June 2010.

5. ICT

5.1 The ICT service is planned for consideration as a shared service with Forest Heath District Council, and work has started to develop a business case which will be presented to the Shared Services Steering Group later in 2010.

6. Use of Resources

6.1 Although the Audit Commission has informed us informally of our 2009/2010 Use of Resources scores, which included the top mark of '4' for Sustainability and '3s' for all other areas of performance, the whole system of Comprehensive Area Assessment and Use of Resources has now been abolished by the Coalition Government. We await information on what form of audit will take its place.