



Council 28 September 2010

CABINET MEMBER REPORT TO FULL COUNCIL

Written report for the 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:

- **Treasury Management Sub-Committee first meeting and training delivered to Members of the Sub-Committee.**
- **Treasury Management underachieving in 2010/2011.**
- **Council Tax and National Non Domestic Rates (NNDR) collection ahead of target collection rates.**
- **Anglia Revenues Partnership update.**
- **Procurement guidance and training delivered to staff and Members.**
- **ICT Outline Business case complete.**

1. **Financial Services**

1.1 **Accountancy: 2009/2010 Statement of Accounts**

- 1.1.1 The Audit Commission are in the process of completing their audit of the Council's draft 2009/2010 Statement of Accounts, and will present their Annual Governance Report to the Performance and Audit Committee on 27 September 2010. The final audited accounts are due to be published by 30 September 2010 and will be available on the Council's web site.

1.2 **Investments**

- 1.2.1 The first meeting of the newly established Treasury Management Sub-Committee was held on 19 July 2010. The establishment of this Sub-Committee was approved by Council on 23 February 2010 in response to latest guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in their 2009 Treasury Management Code of Practice (the Code). In view of the technical nature of treasury management, members of the new Sub-Committee have recently attended 2 training sessions. The first, held on

2 July 2010, was a joint training session with Members from neighbouring councils, (Forest Heath and Mid Suffolk District Councils) and was provided by an external trainer. This course provided a general introduction to treasury management, including how local authorities manage their cash flows, investments and borrowings, and the role of elected Members in the effective scrutiny of treasury management activities. The second training session was held on 19 July 2010, immediately prior to the first meeting of the Sub-Committee, and was provided by the Borough Council's Finance staff. The purpose of this session was to explore in more detail how the treasury management function is undertaken at St Edmundsbury and looked at the way the Council manages its cashflows and investments.

1.2.2 Due to continued volatility and uncertainty in the global banking and investment markets, investment returns in the first 5 months of this financial year have remained under pressure. 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. Actual investment income achieved during the period April and August 2010 was £216,830 against budgeted income for the period of £255,516, an underachievement in investment income of £38,686. This represents an average rate of return of just 1.26%. The under achievement of interest on investments during this period was due to a combination of:-

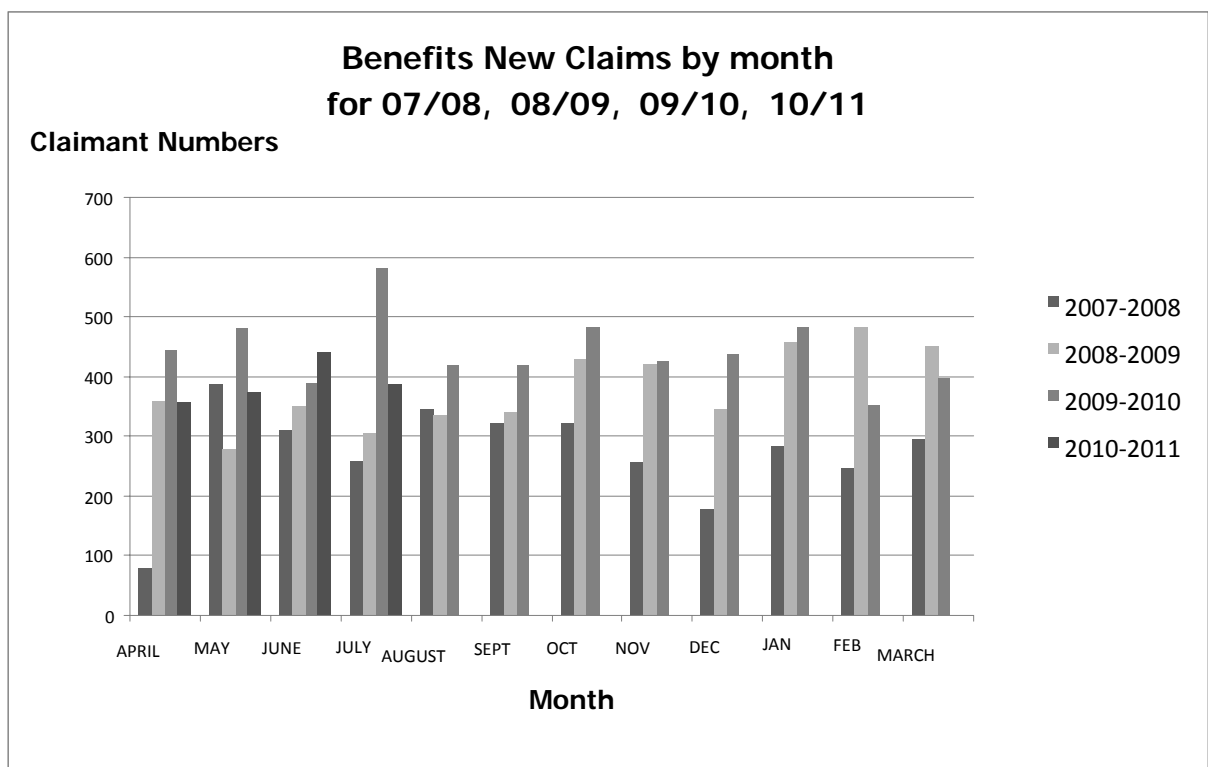
- (a) lower than expected interest rates;
- (b) the maturity of the Council's remaining higher yield longer term investments during the final quarter of 2009/2010, including investments totalling £10m with the Royal Bank of Scotland, which exercised its right to repay monies prior to the full term of the investments; and
- (c) continued difficulties experienced in finding attractive rates of interest with financial institutions that can deliver the required level of security.

1.2.3 Unless there is an improvement in the interest rates that can be accessed by the treasury management team within the next few months then budgeted income from investments for 2010/2011 may not be achieved. In this situation, any shortfall in budgeted income will be met from the Council's Interest Equalisation Reserve.

2. Revenues and Benefits

2.1 Benefits

2.1.1 The level of new claims increased in June 2010 compared to previous years but dropped again in July.



2.2 Revenues

2.2.1 Collection of Council Tax as 31 August 2010 is at 49.38% against our target of 49.03%.

2.2.2 Collection of Non Domestic Rates as at 31 August 2010 is at 52.12% against our target of 51.55%.

2.3 Anglia Revenues Partnership (ARP)

2.3.1 The full business case for the Borough Council joining the ARP is on this Council agenda. A significant amount of work has taken place to inform the due diligence process, which is referred to in the separate ARP paper.

3. Internal Audit

3.1 Statutory Annual Audit Plan

3.1.1 Work on audits contained within the 2010/2011 Audit Plan is progressing well. Audit work has been finalised on grant payments systems, data protection arrangements, and a number of 'follow up' audits (mini audits to check that previously agreed recommendations have been actioned) including e-commerce, car parks, partnerships, ICT disaster recovery, West Suffolk House car parking arrangements, concessionary travel, parks, National Indicators, and cash handling. In addition, a number of core financial systems and departmental systems audits are in progress including contract procedures, housing benefits, council tax, national non-domestic rates, and internet controls.

3.1.2 Where audit reports have been finalised, results of these 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 is supporting the shared services initiative wherever possible by, for example, one audit team member acting as a Shared Services Architect, while another member of the audit team is providing support to the Finance workstream for shared services.
- 3.2.2 Internal Audit leads the work within the Council on the Audit Commission's regular National Fraud Initiative (NFI) exercise. The next round of this begins in October 2010 and in order to prepare for this Internal Audit:-
- (a) has been ensuring that the Code of Data Matching is being complied with by reviewing relevant forms to check that correct wording is used;
 - (b) is currently working to ensure that all appropriate service areas are aware of the Audit Commission's data extraction requirements as well as the timetable for extracting that data; and
 - (c) has included an article in E-Teamwork regarding the use of payroll data for fraud prevention and detection.

3.3 Raising Fraud Awareness

- 3.3.1 Internal Audit has produced a number of fraud awareness related articles for E-Teamwork within the past couple of months including a fraud awareness newsletter; also a brief article alerting staff to a fraud which some organisations (not St Edmundsbury) have been subject to whereby fraudsters have recently contacted a number of organisations and falsely stated that bank account details of the companies they purport to represent have changed, resulting in monies being paid into the fraudster's account rather than to the supplier of the service/goods. By alerting staff to this type of fraud the risk of the Council suffering financial losses in this way is significantly reduced.

4. Procurement

4.1 Collaborative Procurement for Community Magazine Printing

- 4.1.1 St Edmundsbury and Forest Heath councils both produce similar corporate magazines to keep residents informed of activities, decisions, availability of grants and so on. When a contract ended the Councils decided to procure jointly the design and print elements of the magazines for the remainder of the 2010/2011 financial year (three editions). The total annual saving of £520 will be delivered with no noticeable change to the service.

4.2 Public Procurement in Suffolk Guide produced for suppliers

- 4.2.1 The Borough Council is keen to support local business in any way that it can and partnered in producing a public sector procurement guide for Suffolk by working with procurement officers in other public sector bodies. The guide lists many of the public sector bodies within the county and has been designed to help local businesses access public sector contracts. This guide is now available on our website.

4.3 Procurement Guidance made available for elected members

4.3.1 We have made available a series of procurement guidance for elected members in the Council's Intranet. As local government finances are squeezed during difficult economic times, it is now become even more important for councils to work together to save money and keep council tax down. This series of procurement guides provides tips on how the Council can make savings through better procurement. Originally produced by the Improvement and Development Agency (IDeA), the Local Government Association (LGA) and the Regional Improvement and Efficiency Partnerships (RIEPs), these guides are specifically targeted for Members. The guides cover procurement of professional services, energy, ICT, construction, social care and waste services.

4.4 Procurement e-Learning course launched

4.4.1 Recently we have made an e-Learning course available on the Council's Intranet, which is recommended for anyone connected with procurement activities in the Council. Developed by Improvement and Development Agency (I&DeA), this e-Learning course is expected to build basic knowledge on procurement in the context of local government environment.

5. ICT

5.1 ICT Shared Service

5.1.1 The Outline Business Case for the planned ICT shared service with Forest Heath District Council is now complete and was approved by the Shared Services Steering Group on the 16 September 2010. This effectively gives the go-ahead to draw up the full business case, which will detail exactly how the service will operate to deliver ICT across the two Councils.

5.2 Government Code of Connection

5.2.1 In September 2009 the Council's ICT procedures and infrastructure were approved for connection for the Government Secure Network (GCSx). We are now due for an audit on our accreditation which will take place in October 2010. We will at the same time be assessed against the new code of connection, version 4.1. Internal evaluations have been completed and officers in the ICT Unit are confident that accreditation to the new code of connection will be successful. The final outcome will be reported to the next meeting of the Council.

5.3 ICT Infrastructure

5.3.1 Our server virtualisation programme is now complete. As a result we have replaced 50 single system servers with 6 virtual server units each running multiple applications. This has resulted in a saving of £200 a year on electricity costs for each server we have taken out of service. Based on a net reduction of 44 servers this equates to an annual saving in electricity costs of £8,800.

5.3.2 As part of our energy reduction programme we have also raised the ambient temperature in the data centre from 19 deg C to 23 deg C. This is estimated to achieve additional energy savings of £7,000 per annum.

5.3.3 The above measures will also achieve a significant reduction in the councils ICT carbon footprint.