

ST EDMUNDSBURY BOROUGH COUNCIL

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

**Minutes of a meeting held on Monday 26 July 2010 at 4.00 pm
in the Conference Chamber West, F1R09, West Suffolk House, Western Way,
Bury St Edmunds**

PRESENT: Councillor J R Hale (Chairman)
Councillors Beckwith, Cox, Redhead, Spicer, F J Warby and
Mrs P A Warby

BY INVITATION: Councillor Farmer, Portfolio Holder for Resources and Efficiency;
and
Councillor Ray, Portfolio Holder for Performance and
Organisational Development.

10. Apologies for Absence

Apologies for absence were received from Councillors Houlder and Rout.

11. Substitutions

No substitutions were declared.

12. Minutes

The minutes of the meeting held on 24 June 2010 were confirmed as a correct record and signed by the Chairman.

13. Declarations of Interest

Members' declarations of interest are recorded under the item to which the declaration relates.

14. Re-appointment to Treasury Management Sub-Committee

The Committee considered a narrative item which sought the re-appointment of Members and/or Substitutes of the Performance and Audit Scrutiny Committee to the Treasury Management Sub-Committee.

The Committee was requested to appoint two Conservative Members and one 'Other' Member (who under the current membership came from the LLINK Group) to the Treasury Management Sub-Committee for 2010/2011. The Sub-Committee would elect its own Chairman as its first item of business each year.

Following due consideration, Councillors Hale, Nettleton and Spicer were re-appointed to the Treasury Management Sub-Committee for 2010/2011.

In response to a question, the Scrutiny Manager informed the Committee that the Terms of Reference for the Treasury Management Sub-Committee would be amended to reflect that any recommendations emanating from the Sub-Committee would firstly be considered by the Performance and Audit Scrutiny Committee before Cabinet and/or full Council, as appropriate.

RESOLVED:-

That Councillors, Hale, Nettleton and Spicer be re-appointed to the Treasury Management Sub-Committee for 2010/2011.

(Subsequent to the meeting, it had been ascertained that the Terms of Reference (ToR) for the Treasury Management Sub-Committee contained in Report B119 were not a direct copy of the ToR agreed by the Performance and Audit Scrutiny Committee on 26 April 2010 (Report A637 referred). Relevant extracts of Report A637 had been tabled at the Treasury Management Sub-Committee meeting on 19 July 2010, which detailed that recommendations from the Sub-Committee would firstly be considered by the Performance and Audit Scrutiny Committee before Cabinet and/or full Council, as appropriate.)

15. Annual Treasury Management Report 2009/2010 and Investment Activity 1 April to 30 June 2010

The Committee received and noted an oral report from the Chairman of the Treasury Management Sub-Committee, who was also the Chairman of the Performance and Audit Scrutiny Committee, on the Council's treasury management activities.

On 19 July 2010, the Sub-Committee had considered the proposed terms of reference for the Sub-Committee and Report B120 (also previously circulated to the Committee). Report B120 contained the Council's Annual Treasury Management Report 2009/2010 and the investment activity covering the period 1 April to 30 June 2010. Amendments to paragraph 3.8 of Appendix 3 to Report B120 were tabled, which revised a number of credit criteria detailed in the table contained in the paragraph.

The Committee noted that despite the economic downturn, the Council's treasury management activities during 2009/2010 had continued to exceed budgeted rates of return on investments. As at 31 March 2010, interest earned amounted to £1.097 million, which was a surplus against budget of £0.346 million. However, in the new financial year, interest earned during the first quarter amounted to £0.126 million as at 30 June 2010, against a profiled budget for the period of £0.155 million, which was a budgetary deficit of £0.029 million. This underachievement of interest on investments during this period was primarily due to lower than expected interest rates. If in the remaining nine months of the 2010/2011 financial year, no improvement in interest rates was realised, the budgeted income from investments would not be achieved. In this situation, any shortfall in budgeted income would be met from the Interest Equalisation Reserve.

The Chairman concluded his report stating that whilst treasury management activities would continue to be closely monitored, the Treasury Management Sub-Committee had not proposed any recommendations for consideration by the Committee on this occasion.

16. Key Performance Indicators: First Quarter 2010/2011

The Committee received and noted Report B121 (previously circulated), which was the first quarterly performance monitoring report for 2010/2011 for the Key Performance Indicators (KPIs).

Attached as Appendix A to the report was the quarterly report of Key Performance Indicator data covering the period 1 April to 30 June 2010. The columns included in the table contained descriptions of the data and performance for each quarter. The performance of each KPI was also colour coded, which indicated that:-

- (a) red was below target;
- (b) amber was just below target; and
- (c) green was at or above target.

A total of 32 indicators were reported to the Committee, 14 were annotated green, six were amber, seven were red and the remaining five were contextual indicators.

Discussions were held on a number of KPIs, with particular reference to:-

- (a) KPI 2: *the percentage of minor planning applications determined within 8 weeks*, whereby the current performance was considered acceptable for the first quarter;
- (b) KPI 4: *the percentage of household waste recycled and composted*, whereby reference was given to the sweeping of plant detritus from the roadside, which was now being composted and would thus help achieve this KPI; and
- (c) KPI 6: *the tonnage of household waste sent to landfill*, where it was stated that it was a trait of modern day society that household items were often disposed of and replaced rather than seeking their repair.

In addition, Councillor Cox made reference to a typographical error detailed under KPI 30, *Local: number of people registered for postal votes*, whereby an inaccurate figure of '12' was reported in the 2009/2010 performance data and the officers stated that this would be rectified in subsequent reports. In addition, he enquired as to why an elector located in his Ward who failed to complete an annual canvass form was issued with a poll card. In response, the officers stated that investigations would be undertaken and Councillor Cox would be provided with a response separately.

17. Budget Monitoring Report: 1 April to 30 June 2010

The Committee considered Report B122 (previously circulated) which was the Budget Monitoring Report for the period 1 April to 30 June 2010.

Attached to the report was the general Budget Monitoring Report which indicated an overall underspend of £273,000 as at 30 June 2010. A full analysis of budget variances was attached as Appendix A and an explanation of variances of over £10,000 was attached as Appendix B. Favourable variances included underspends totalling £279,000 and income above budget totalling £125,000. Unfavourable variances included overspends totalling £39,000 and income below budget totalling £28,000.

Discussions were held on a number of issues and in response to questions, the Committee was informed that:-

- (a) contingency budgets were allocated from capital funds or from the earmarked reserves and as such the Budget Monitoring Report did not include references to contingency budgets;
- (b) the *'Land Awaiting Development'* budget was a capital budget and was therefore, not detailed in the Budget Monitoring Report; and
- (c) a written response would be provided to fully explain the apparent overspend of £83,803 in the Finance Section's budget, as detailed on page 2 of Appendix A. Members noted that this figure was likely to be an accounting adjustment.

Following due consideration, the Committee did not request that any relevant issues be forwarded to Cabinet on this occasion.

RESOLVED:-

That a written response be provided to the Committee to explain the apparent overspend of £83,803 in the Finance Section's budget, as detailed on page 2 of Appendix A to Report B122.

18. Corporate Risk Register: Quarterly Monitoring Report

The Committee received and noted Report B123 (previously circulated), which was the quarterly monitoring report in respect of the Corporate Risk Register.

The Committee was responsible for scrutinising the Corporate Risk Register on a quarterly basis. The latest version of the revised Risk Register prepared by the Strategic Risk Management Group was attached as an appendix to the report and the following significant changes were highlighted since the last report:-

- (a) Risk 49: *Public Sector Spending Cuts*: This was a new risk that had been added to the Register in this quarter;
- (b) Risk 13: *Unacceptable Increases in Council Tax*: this risk had been closed as the Coalition Government had announced an intention to incentivise councils which kept their Council Tax low, and prevent councils from being able to produce unacceptable increases;
- (c) Risk 38: *Local Government Reorganisation/Boundary Committee Review/County Constitutional Convention*: This risk had also been closed as the Coalition Government had announced the abandonment of progressing these initiatives; and
- (d) Risk 23: *Anticipation and Implementation of Legislation*: Due to the uncertainty regarding the Coalition Government's forthcoming announcements on a range of issues, this residual risk had been raised from green to red.

The Committee sought further information on a number of risks, to which the officers provided comprehensive responses, including:-

- (a) Risk 6 : *Refurbishment of the Bury St Edmunds Leisure Centre*;
- (b) Risk 10: *The Apex*;
- (c) Risk 11: *Cattle Market Development (Public Interface)*;
- (d) Risk 22: *Demographic Changes*; and
- (e) Risk 43: *Concessionary Fares*.

Following due consideration by the Committee, no suggestions for amendments to the Register were made on this occasion.

19. Capital Programme Audited Accounts

The Committee received and noted Report B124 (previously circulated), which contained details of variations in costs between tenders and completed capital schemes.

Key projects of over £25,000 undertaken by Property and Engineering Services whereby the accounts had been audited during the financial years 2009/2010, were required to be reported to the Committee in accordance with the Council's Financial Regulations.

Financial reconciliations in respect of three schemes with a total approved budget of £1,220,000 were attached as Appendix A to the report. The three schemes reported varied in size and complexity and these were:-

- (a) re-roofing Hollands Road Business Centre, Haverhill;
- (b) rebuilding the east plant room at Bury St Edmunds Leisure Centre; and
- (c) the construction of the new museum facility at West Stow Country Park.

An analysis of the figures provided in Appendix A indicated there was a favourable variation of 5.83% of the total expenditure for the three schemes completed in 2009/2010, which equated to £71,111 below budget. Provided in the report were detailed explanations of the budget variances in respect of two of the projects and the Committee considered the reasons for the variances were acceptable.

20. Audit Commission: Certification of Housing and Council Tax Benefits, Disabled Facilities Grants, and National Non-Domestic Rates Return

The Committee received and noted Report B125 (previously circulated), which informed Members of changes to certification requirements and provided details of claims that had been certified at the Borough Council in 2008/2009. The Committee was also advised of the Council's receipt of a Qualification Letter on the Housing and Council Tax Subsidy claim part of the Housing and Council Tax Benefits Scheme, and detailed changes that had been implemented as a result of the findings contained in the letter.

A review of arrangements for the certification of claims and returns had been undertaken by the Audit Commission and the results published in September 2009. New arrangements were introduced in 2004 to rationalise the regulation framework to a more proportionate approach, thereby reducing the number of schemes subject to certification, reducing the number of tests applied to these schemes and thus reducing certification fees. The review had ascertained that the new arrangements still provided important and valuable assurances to taxpayers regarding the use of public funds, and there had been a reduction in certification fees overall, especially at county, unitary, London borough and metropolitan level; however, a reduction at district level had not been achieved. This was largely because there had been less scope for reduction due to the type of schemes certified, particularly the Housing Benefit Grant claim, which continued to be both complicated and time consuming to certify.

Attached as Appendix 1 to the report was the Audit Commission's Certification Report, which summarised the findings from the certification of claims at the Borough Council in 2008/2009. Claims that had been certificated were:-

- (a) Housing and Council Tax Benefits Scheme, valued at £25,918,969;
- (b) Disabled Facilities Grants, valued at £272,000; and
- (c) National Non Domestic Rates Return, valued at £37,221,736.

Of these claims, the Audit Commission undertook a limited review of the Disabled Facilities Grant and full reviews of the remaining two claims. As a result, the Audit Commission amended the National Non Domestic Rates Return due to errors identified. In addition, the Commission was unable to fully certify the Housing Benefit and Council Tax Subsidy claim, and issued a Qualification Letter for the matters arising. The issues were detailed on pages 5 and 6 of the Certification Report.

The Borough Council's officers had already concurred with the findings contained in the Qualification Letter and had taken action to address the issues for 2009/2010. Consequently, and due to the nature of the findings, there were no recommendations for the Committee to consider.

A detailed discussion was held and in response to questions, the Committee was informed that:-

- (a) the accounting errors found in the sample cases of the Housing Benefit and Council Tax Subsidy claim were relatively minor; and
- (b) refresher training had been provided to all staff involved with processing benefit claims on the procedure for undertaking self-employed income calculations.

21. Audit Commission: Audit Opinion Plan

The Committee received and noted Report B126 (previously circulated), which presented the Audit Opinion Plan prepared by the Audit Commission.

The Audit Opinion Plan detailed the audit work the Commission proposed to undertake for the audit of the 2009/2010 financial statements and provided the fee for that work. The planned outputs were set out in the plan, including a proposed timetable outlining when reports would be presented to the Committee.

The Committee noted that the plan was based on the Audit Commission's risk based approach to audit planning, which reflected:-

- (a) audit work specified by the Audit Commission for 2009/2010;
- (b) current national risks relevant to the Council's local circumstances; and
- (c) the Council's local risks.

Members were advised that the Commission was satisfactorily progressing through its proposed timetable, with the auditor's report providing an opinion on the financial statements on course to be received by 30 September 2010. A significant proportion of detailed testing had already been undertaken without any apparent cause for concern.

The Committee commended the work of the Finance Section and was pleased to note that the audit work was progressing in accordance with the proposed timetable.

The meeting concluded at 5.02 pm.

**J R HALE
CHAIRMAN**