

ST EDMUNDSBURY BOROUGH COUNCIL

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

**Minutes of a meeting held on Wednesday 27 July 2011 at 4.30 pm
in the Conference Chamber West (F1R09), West Suffolk House,
Western Way, Bury St Edmunds**

PRESENT: Councillor J R Hale (Chairman)
Councillors Mrs Broughton, Cox, Mrs Hind, Redhead, Mrs
Richardson and Spicer

BY INVITATION: Councillor Ray, Portfolio Holder for Performance and
Organisational Development and Mr Neil Harris and Ms Melanie
Richardson, Audit Commission

1. Apologies for Absence

Apologies for absence were received from Councillors Farmer and Simner.

2. Substitutions

No substitutions were declared.

3. Minutes

Councillor Cox stated that under minute 61, regarding parking and pedestrian conflict in the Queen Street area of Haverhill, he had raised concern at Cabinet and had spoken to officers but to date no progress had been made. The Chairman advised that Councillor Cox should liaise with the relevant Portfolio Holder. Notwithstanding this comment, the minutes of the meeting held on 26 April 2011 were confirmed as a correct record and signed by the Chairman.

4. Declarations of Interest

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

5. Annual Treasury Management Report 2010/2011 and Investment Activity 1 April to 30 June 2011

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 18 July 2011 the Sub-Committee considered Report C60, which was also circulated to the Committee, which outlined the Annual Treasury Management Investment Report, summarising the investment activity for the year 2010/2011. It also provided a summary of investment activity for the first three months of 2011/2012.

The Sub-Committee scrutinised the content of Report C60, asking questions of officers, and no issues or recommendations needed to be brought to the attention of the Committee. The Sub-Committee, however, recommended that where there was a need to consult on treasury management issues, then the whole Sub-Committee should be consulted. The Committee agreed the recommendation.

Councillor Cox queried whether paragraph 6.1 regarding the temporary extension to the lending criteria regarding Lloyds/Bank of Scotland should including reference to a year. The Deputy Chief Finance Officer agreed.

6. 2011/2012 First Quarter Key Performance Indicators

The Committee received and noted Report C76 (previously circulated) which was the first quarterly performance monitoring report for 2011/2012 for the key performance indicators (KPIs).

Attached to Report C76 was the quarterly report of key performance indicator data covering the period 1 April to 30 June 2011. The columns included in the table, and a description of the data they contained, were as follows:-

- (1) the performance indicator giving details of what was being reported, including indicator code and a short description;
- (2) columns showing the annual target;
- (3) columns showing the performance (value) and target for each quarter;
- (4) the quarterly traffic light icon which reflected the status of the indicator:-
 - (a) red was below target;
 - (b) amber was below target or within an agreed tolerance;
 - (c) green was on or exceeding the target; and
 - (d) showed a contextual indicator;
- (5) columns showed the year end performance, status and long term trend arrows which compared the current year with the previous year. A downward arrow indicated a negative trend regardless of calculation method of indicator;
- (6) the comparison column showed the 2011/2012 performance against 2010/2011; and
- (7) the notes column provided an opportunity to explain performance and identify any actions to improve performance.

The report provided the KPIs in respect of 39 items, of which 16 had green indicators, three amber, six red, eight were contextual indicators, five had data not available and one was for discussion by the Committee.

The Committee discussed a number of the indicators, including the average stay in bed and breakfast in weeks and the total visitors to Nowton/East Town Parks and the Abbey Gardens. Additionally, the Committee was asked to consider which indicators it would find useful to measure incidents of anti-social behaviour. Following discussion, the Committee advised that it would like to see measuring commence on the average time taken to resolve complex anti-social behaviour cases, and whether any of the current cases of anti-social behaviour were reoccurrences.

7. Data Quality Policy

The Committee considered Report C77 (previously circulated) which sought adoption of the Data Quality Policy.

The Council's first Data Quality Policy was adopted in March 2008 in accordance with Audit Commission best practice. Data Quality is crucial, and the availability of complete, accurate and timely data is important in supporting customer care, corporate governance, management and service agreements for service planning and accountability. The policy had been revised due to legislation being introduced as part of the Localism Bill and in light of the Government's transparency agenda, in partnership with Forest Heath District Council.

An Equality Impact Assessment on the revised policy found that all communities should benefit from the policy, as it would ensure that decision making and service delivery was undertaken based on sound and accurate information.



RECOMMENDED:-

That the Revised Data Quality Policy, attached to Report C77, be adopted.

8. Audit Commission – International Financial Reporting Standards (IFRS) Briefing

Mr Neil Harris, the Council's Engagement Lead from the Audit Commission, attended the meeting and made a presentation to Members on the accounting framework, form and content of local authority accounts, and the Members role.

Mr Harris stated that 2011/2012 would contain significant changes for the Borough Council and the audit would include more complex information. The approval of the accounts would now occur by the end of September 2011, which would occur after the audit was complete.

9. Audit Commission – Presentation of Annual Audit Fee Letter 2011/2012

The Committee received and noted Report C78 (previously circulated) which contained the Annual Audit Fee Letter from the Audit Commission which confirmed the audit work which the Commission proposed to undertake for the 2011/2012 financial year, and outlined the fee for that work.

Mr Harris, the Council's Engagement Lead from the Audit Commission, attended the meeting and presented the Annual Audit Fee Letter to Members. The letter was for information only, and the quoted fee was an estimate and, should any significant amendment to the fee be found to be necessary during the quarterly audit, this would be presented to and discussed with the Committee.

Whilst present at the meeting, Mr Harris took the opportunity to update the Committee on the future of the Audit Commission.

(Mr Harris and Ms Richardson left the meeting at 5.50 pm.)

10. Review of the Effectiveness of Internal Audit

The Committee received and noted Report C79 (previously circulated) which outlined the process and outcomes of the review of the effectiveness of the Council's internal audit, including areas for development.

The Accounts and Audit (England) Regulations 2011 required a review of the effectiveness of internal audit once a year and the findings of that review to be considered by a Committee of the relevant body. The review formed part of the review of the overall system of internal control required for the 2010/2011 Annual Governance Statement.

The Committee considered a report outlining the process and outcomes of the review of the effectiveness of the Council's internal audit, including areas for development, and noted the report's conclusion, that internal audit was operating effectively and could be relied upon when considering the Annual Governance Statement for 2010/2011.

(Councillor Spicer left the meeting at 5.55 pm)

11. Annual Governance Statement 2010/2011

The Committee considered Report C80 (previously circulated) which sought approval, via full Council of the Annual Governance Statement to accompany the Council's Financial Statements.

The Council was required to produce and publish an Annual Governance Statement which covered six laid down core governance principles, to be approved by full Council and signed by the Leader of the Council and the Chief Executive Officer. The statement for 2010/2011 accompanied the Statement of Accounts, and covered the Council's responsibilities in terms of the governance framework, St Edmundsbury's governance environment relating to the six laid down corporate governance principles, and the effectiveness of St Edmundsbury's arrangement and any significant areas of weakness identified, with proposed actions to address them.

The governance framework was designed to facilitate the achievements of the Council's policies, aims and objectives and to identify and manage risks to a reasonable level. The framework was imbedded within the Constitution and the systems, policies, procedures and operations in place throughout the Council.

The Senior Auditor undertook a presentation to the Committee which outlined the history and importance of corporate governance and the background to the annual review. The Committee scrutinised Report C80 in detail, with particular emphasis on the adequacy of the governance framework outlined in Section 3 and Annex A of the statement, as well as the assurance framework at Appendix A; the adequacy of the processes to review the effectiveness of internal control outlined in Section 4; and the results of the review of the effectiveness of internal audit referred to in Section 4 of the statement.



RECOMMENDED:- That

- (1) the draft Annual Governance Statement (AGS) for 2010/2011, as set out in Report C80, be approved subject to full Council approval prior to accompanying the Council's financial statement;***
- (2) the process used to compile the Annual Governance Statement and review of internal controls be endorsed for application in future years; and***

- (3) the internal control assessment and proposed additional areas for improvement (assurance framework and related action plan) at Appendices 1 and 2 of Report C80 be approved.***

12. Anti-Fraud and Anti-Corruption Strategy

The Committee considered Report C81 (previously circulated) which sought adoption of the draft Anti-Fraud and Anti-Corruption Strategy.

The Council was committed to high standards of corporate governance and had a number of related strategies and policies in place which were regularly updated and reviewed. These procedures include the Anti-Fraud and Anti-Corruption Strategy. The existing strategy was last updated in 2009 and needed to be kept under review in order to meet legal requirements and maintain the Council's high standards of corporate governance.

Amendments to the Anti-Fraud and Anti-Corruption Strategy were considered by the Committee. The proposed amendments reflected the implications of the Bribery Act 2010, which came into force on 1 July 2011. Internal Audit were currently undertaking a focused review to determine current adherence to the requirements of the Bribery Act 2010, to ensure the Council's procedures covered six key principles. The outcome of the review would be reported to the Committee in the next Annual Fraud Report in April 2012, or sooner if significant concerns were raised.



RECOMMENDED:-

That the revised draft Anti-Fraud and Anti-Corruption Strategy, attached to Report C81, be adopted.

13. Budget Outturn and Financial Highlights: 2010/2011

The Committee received and noted Report C82 (previously circulated) which provided details of the Council's budget outturn and financial highlights for the 2010/2011 financial year.

The Committee was previously advised of changes to the statutory requirements for the reporting and approval of the Council's annual financial statements. In previous years the Committee was required to approve the draft annual accounts prior to their submission to the Council's external auditors. The requirements for the approval of the accounts had changed, and Member scrutiny and approval would now be required after the audit had been concluded. The Committee would no longer receive draft financial statements in June of each year, and therefore opted to receive a budget outturn and financial highlights report at its first meeting following the June deadline for production of the draft Council audit.

Report C82 included a financial commentary on the year, details of revenue and expenditure, including budgeted and actual expenditure, and an explanation of the main variances and details of how services were paid for. Capital income and expenditure was also discussed, as well as reserves and treasury management. The Committee noted the information considered within the report and a written response would be provided regarding the overspend shown on the Haverhill Community Football Project and the overspend on the mayoralty budget.

14. Budget Monitoring Report – 1 April 2011 to 30 June 2011

The Committee received and noted Report C83 (previously circulated) which was the budget monitoring report for the period 1 April 2011 to 30 June 2011.

Attached to the report was the general budget monitoring report which indicated an overall underspend of £201,000 as at 30 June 2011. 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 £173,000 and income above budget totalling £205,000. Adverse variances included budget overspend of £222,000 and income below budget totalling £99,000.

The Capital Budget Monitoring Report showed net expenditure of £528,000 for the first quarter, compared to a full year capital budget of £2,485,000. As in previous reports, the underspend was due to slippage in the programme. The capital disposals programme showed capital receipts for the period of £13,000, against a full year disposals estimate of £2,846,000.

15. Corporate Risk Register – Quarterly Monitoring Report

The Committee received and noted Report C84 (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. The Committee noted that no new risks had been added or closed for the quarter. One residual risk colour had changed: 'Risk 25: Partnership Working' which had increased from amber to red, to reflect the uncertainty around the outcome of the Council's partnership with Forest Heath District Council.

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

- (a) Risk 12: Commitment to Haverhill;
- (b) Risk 24: Community Safety;
- (c) Risk 31: Implementation of Corporate Health and Safety Policy; and
- (d) Risk 34: Emergency Situations and LA Response.

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

The meeting concluded at 6.38 pm.

**J R HALE
CHAIRMAN**