

ST EDMUNDSBURY BOROUGH COUNCIL

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

**Minutes of a meeting held on Monday 12 November 2012 at 4.30 pm
in Room GFR14, West Suffolk House, Western Way, Bury St Edmunds**

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

BY INVITATION: Councillor Ray, Portfolio Holder for Performance and
Resources, and Councillors Cox and Nettleton.

89. Apologies for Absence

No apologies for absence were received.

90. Substitution

No substitutions were declared.

91. Minutes

The minutes of the meeting held on 25 September 2012 were confirmed as a correct record and signed by the Chairman.

92. Declarations of Interest

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

93. Mid Year 2012/2013 Internal Audit Progress Report

(Councillors Mrs Broughton, Hale and Spicer declared local non-pecuniary interests as trustees of the West Stow Anglo-Saxon Village Trust for which body the Internal Audit Section had acted as Independent Examiner of the 2011/2012 Accounts)

The Committee received and noted Report D179 (previously circulated) which updated on the work undertaken by Internal Audit within the first six months of 2012/2013 and also sought to provide an understanding of the variety of projects and corporate activities which were supported through the work of the team. An overview of Internal Audit work during the period was attached as Appendix A of the report.

Under 'Core Financial Systems', six audit reviews had been completed and issued as final reports, and a number of other reviews were still in progress. Regarding 'Departmental Systems Reviews', five internal audit reports had been issued and a further five were in progress or nearing completion.

A summary of the 11 audit reviews which had been completed to final report stage were included in Annex A to the Appendix. This provided indications of the issues arising from the reviews, as well as action taken in response to previous audit reports.

The Committee scrutinised the report and questions were raised on a number of areas, including the follow up review of ICT Back Up Arrangements and cash handling relating to facilities in the Abbey Gardens which were answered by officers. No issues were required to be brought to the attention of Cabinet.

94. Joint Anti-Money Laundering Policy

The Committee considered Report D180 (previously circulated) which sought approval of a Forest Heath District Council and St Edmundsbury Borough Council Joint Anti-Money Laundering Policy.

The Borough Council's current Anti-Money Laundering Policy was last revised in December 2010. The report advised that it was good practice to review arrangements periodically, and as a consequence a review of the policy had been undertaken to ensure it continued to reflect best practice, legislation and shared services arrangements with Forest Heath District Council. The revised joint policy had been approved with no amendments by Forest Heath District Council prior to its consideration by the Committee.

The purpose of the Joint Policy was to make all Councillors and staff aware of the legislative framework, their responsibilities regarding this framework, and the consequences of non-compliance.

Potentially any Councillor or member of staff could be subject to the provisions of the policy if they suspected money laundering, and either became involved with it in some way and/or did nothing about it. The revised joint policy set out how any concerns should be raised, and was aimed at maintaining and improving upon the high standards of conduct which currently existed within the two Councils to ensure that third parties were not able to use the Councils for the purposes of money laundering.

In discussing the Joint Policy, a Member suggested that the policy would be better understood if examples of money laundering practices were to be included in the text. Officers responded by confirming that money laundering was in essence any act of attempting to turn 'dirty' money into 'clean' money and gave an example of an illegal use of a business unit for a criminal purpose, the proceeds from which could be regarded as money laundering. Officers also advised that if an amount of money was suspected as being linked to criminal activity of any kind it was automatically investigated regardless of the sum involved. A Member expressed a view that Councillors were far less likely to be exposed to money laundering than officers were, and it was suggested that the Joint Policy be amended to reflect this situation.



RECOMMENDED:-

That the Joint Money Laundering Policy between St Edmundsbury Borough Council and Forest Heath District Council, as set out at Appendix A to Report D180, be recommended for approval through full Council, subject to the addition of the words 'although it is accepted that elected Members are far less exposed to the risks of money laundering' at the end of paragraph 2.3.

96. Joint National Fraud Initiative (NFI) Strategy

The Committee considered Report D181 (previously circulated) which sought approval of the Forest Heath District Council and St Edmundsbury Borough Council Joint National Fraud Initiative Strategy, a copy of which was attached as Appendix A to the report.

The National Fraud Initiative (NFI) was a data matching exercise which involved the comparison of information held by and shared between around 1,300 organisations with the objective of detecting and preventing fraud and error. St Edmundsbury Borough Council and Forest Heath District Council collected and used many different types of data from a wide variety of sources.

The Joint NFI Strategy would replace that currently in place at St Edmundsbury BC, which had been produced in 2008, and it would be the first such Strategy for Forest Heath DC. Since the introduction of the data matching service, participation in the NFI had become mandatory and it was considered to be a corporate activity, also involving data security and data protection. The document aimed to define the key roles and responsibilities for all stakeholders involved with the NFI exercise to ensure that fair processing compliance was maintained, mandatory data sets were correctly provided and investigations were undertaken as necessary and based on the associated risks.

The Strategy was aimed at providing a means of ensuring staff had the correct knowledge, understanding and support in order to discharge their NFI roles and responsibilities. It also set out the key activities and responsibilities for officers in relation to the follow up of matched reports and for reporting progress on the investigation of errors and potential frauds.

In response to a Member's question, Officers advised that Councillors were indemnified by the Council's insurances against any claims against them brought as a consequence of the recovery process in respect of fraud.

The Committee was also advised that the Anglia Revenues and Benefits Partnership dealt with fraudulent benefits claims, but it kept both Councils informed of cases.



RECOMMENDED:- That:

- (1) the Joint National Fraud Initiative Strategy between St Edmundsbury Borough Council and Forest Heath District Council, as set out in Appendix A to Report D181, be recommended for approval through full Council, subject to the consideration of any recommendations for amendment proposed by Forest Heath District Council; and**
- (2) the Internal Audit Manager be given delegated authority to update information on NFI Outcomes (paragraph 1.4) and Data Leads (paragraph 7.3) within the Strategy, as appropriate.**

97. Budget Monitoring Report – 1 April 2012 to 30 September 2012

The Committee received and noted Report D182 (previously circulated) which was the Budget Monitoring Report for the period 1 April 2012 to 30 September 2012. Attached to the report was the General Budget Monitoring Report which indicated an underspend of £269,000 with a forecast outturn of £191,000 underspend. A full analysis of the budget variances was provided at Appendix A. An explanation of variances over £10,000 was attached as Appendix B.

The Capital Monitoring Report showed net expenditure of £260,000 compared to a revised capital budget of £4.9 m. As in previous reports the underspend was due to slippage in the Capital Programme. Further details of this were provided in Appendix C. The Capital Disposals Programme showed capital receipts of £3,961,000 against a full year disposals estimate of £3,806,600. Details of disposals were provided at Appendix D. The Reserves Monitoring Report was also included with Appendix D and showed that the Council had earmarked reserves of £10,773,000.

Additional information was requested by Members on a number of areas referred to in the report, as follows: -

- (i) Market Tolls Income – Councillor Nettleton requested further information as to why income had been underachieved so far this year and on differences between budgets for this year and last year;
- (ii) Members' Travel and Subsistence Allowances – Councillor Cox requested further details of these, in particular on the cost of overnight accommodation;
- (iii) Apex Salaries Budget – The Chairmen requested a written response as to why there had been an overspend for this heading;
- (iv) Gainsborough Playing Fields, Haverhill – Officers undertook to investigate a scheme for enhanced changing facilities at this location as part of Asset Management Planning and to explore opportunities for secondary funding for the scheme.

98. Key Performance Indicators: Second Quarter 2012/2013

The Committee received and noted Report D183 (previously circulated) which was the second quarterly Performance Monitoring Report for 2012/2013 covering Key Performance Indicators (KPIs) for the period 1 April to September 2012.

Attached as an Appendix A to the report was the quarterly report of Key Performance Indicator data covering the period 1 April to 30 September 2012. 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) 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 KPI, i.e. quarterly performance against target;

- (5) the short term trend arrows, which compared the current quarter with the previous quarter. A downward arrow indicated a negative trend regardless of calculation method of indicator;
- (6) the comparison column showed the 2012/2013 performance to date against the 2011/2012 performance; and
- (7) the notes column provided an opportunity to explain performance and identify any actions to improve performance.

The report provided KPIs in respect of 42 items, of which three had red indicators, five amber, 19 green and 15 which were contextual indicators.

The Committee discussed a number of the indicators, with particular emphasis on those showing red under the traffic light system, i.e. the average stay in bed and breakfast accommodation, percentage of major planning applications determined within 13 weeks, and street and environmental cleanliness. In response to a member's request in respect of Tourist Information Centres, officers undertook to include quarterly target figures in future reports. In relation to East Town Park, Haverhill, Councillor Cox requested information on how usage figures were calculated and whether these included Motts Field and special events organised by the Town Council and the Chairman indicated that a written reply would be given.

99. Biannual Corporate Complaints and Compliments Digest

The Committee received and noted Report D184 (previously circulated) which was the Biannual Corporate Complaints and Compliments Digest covering the period 1 April 2012 to 30 September 2012.

The aim of the Digest was to provide an overview of the quantity and range of corporate complaints, those complaints monitored by the Chief Executive's Office, that the Council had received, as well as monitoring effectiveness at responding and learning from any mistakes that had been made. A total of 21 complaints had been received between April and September 2012, which compared to 23 during the same period last year. The report set out the number of corporate complaints received, details of response times to those complaints, a breakdown of complaints by Directorate and also details of the complaints received. In addition, the report highlighted the 88 compliments which had been received across the authority during the reporting period and outlined the Teams and Services who had received them. The Committee expressed pleasure that the number of compliments received this year had increased markedly from the 36 compliments received during the corresponding period last year.

Attached as Appendix A was the report from the Local Government Ombudsman which summarised the complaints about the Council which had been investigated in 2011/2012. It showed that there were 17 enquiries and complaints received about the Council, compared to ten in the previous year. Of this 17, only five were considered by the investigative team, and there were no instances found of maladministration.

In relation to a complaint about an anonymous flyer which had been circulated in connection with the Abbeyfest Concert which had caused confusion about the Council's out of hours contact telephone number, Councillor Nettleton asked if he could be provided with a copy of this leaflet.

100. Mid Year Treasury Management Performance Report and Investment Activity 1 April 2012 to 30 September 2012

The Committee considered Report D170 (previously circulated) the purpose of which was to:-

- (1) provide an update on Treasury Management activity and performance for the period 1 April to 30 September 2012;
- (2) advise the Committee of the extended Counterparty Lending Limits, approved by the Chief Finance Officer in consultation with the Portfolio Holder for Performance and Resources and the Treasury Management Sub-Committee in October 2012; and
- (3) provide the Committee with an economic update for the first 6 months of 2012/13, including revised interest rate forecasts.

Report D170 had also been considered by the Committee's Treasury Management Sub-Committee and Councillor Hale, Chairman of the Sub-Committee provided an oral report on its deliberations.

The 2012/2013 Annual Treasury Management and Investment Strategy had set out the Council's projection for the current financial year.

The budget for investment income in 2012/2013 was £569,000. Actual income in the first 6 months of the year was £321,000 against a profiled budget for the period of £297,000, a surplus of £24,000. This was due to primarily to the achievement of a higher than projected average rate of interest during the period, an average of 1.69% against a target rate for the year of 1.5%.

By October this year the Council's Counterparty Lending Limits were once again coming under pressure due to further ratings downgrades affecting a number of banks, including Barclays and Santander. As a result the Financial Services Team were experiencing difficulties in finding sufficient counterparties with which to place Council funds. Following discussions with Sector, the Council's Treasury Management advisors, approval was obtained for increases in the lending limits applied to part nationalised banks, i.e. the Royal Bank of Scotland and Lloyds Banking Groups, and other major UK clearing banks, including Barclays and Santander. The Sub-Committee was advised that, at a time of reducing investment returns, the approved changes should yield about £70,000 additional interest over the course of the next 12 months.

In a wide ranging discussion on the contents of the report the Sub-Committee raised questions regarding the relatively high value of funds held in instant access accounts, and the future use of money market funds. In considering Sector's latest interest rate projections, the Sub-Committee advised caution in the setting of future interest rate targets, i.e. that it should be assumed that there would be no increase in the bank base rates over the next 2 years.



RECOMMENDED:

That Cabinet note the content of Report D170, being the Mid Year Treasury Management Performance Report and Investment Activity 1 April 2012 to 30 September 2012, including the extended Counterparty Lending Limits approved by the Chief Finance Officer, in consultation with the Portfolio Holder for Performance and Resources and the Members of the Treasury Management Sub-Committee in October 2012, as set out in section 4.3.3 of Report D170, namely:

- (a) increased lending limits with 'blue' Government-backed counterparties, i.e. Lloyds and RBS Groups from £12m to £15m; and*
- (b) increased lending limits with 'green' counterparties, including banks such as Barclays and Santander, from £4m to £6m;*

and that full Council also be asked to note Report D170 and the extended counterparty lending limits detailed above.

The meeting concluded at 5.45 pm.

**J R HALE
CHAIRMAN**