

Forest Heath District Council

MINUTES of the **PERFORMANCE AND AUDIT SCRUTINY COMMITTEE** held at the District Offices, College Heath Road, Mildenhall on Tuesday, 24 September 2013 at 6.00 pm.

PRESENT:

Councillors:

C Noble (Chairman)	G Jaggard
A J Wheble (Vice-Chairman)	M J Jefferys
M J Anderson	Mrs C F J Lynch
C J Barker	J W McGhee
T J Huggan	

Councillor N A Roman, in his capacity as Cabinet Member for Environment and Waste was in attendance for Agenda Item 7 (Presentation on his Portfolio and performance issues).

Councillor S J Edwards was in attendance in his capacity as Cabinet Member for Resources, Governance and Performance.

Also in attendance:

C Brain, Scrutiny Officer
M Christie, Business Manager Waste and Street Scene
P Gudde, Environment Manager
R Mann, Head of Resources and Performance
A Newman, Public Health and Housing Manager
J Snares, Internal Audit Manager
M Walsh, Head of Waste Management and Property Services
T Wright, Business Regulation and Licensing Manager

G Belcher, External Audit Manager, EY

APOLOGIES

Apologies for absence were received from Councillor D W Bimson.

SUBSTITUTES

There were no substitutes at the meeting.

702. **PUBLIC PARTICIPATION**

There were no questions/statements from members of the public.

703. **CONFIRMATION OF MINUTES**

The minutes of the meeting held on 1 August 2013 were accepted by the Committee as an accurate record and signed by the Chairman.

704. **ERNST AND YOUNG – PRESENTATION OF 2012-2013 ISA 260 ANNUAL GOVERNANCE REPORT TO THOSE CHARGED WITH GOVERNANCE (REPORT NO PAS13/010)**

The Committee received Report No: PAS13/010, which presented the results of Ernst and Young's (EY) work to date. A copy of the Audit Results Report – ISA 260 was attached as Attachment 1 and was presented to the Committee by Gary Belcher (External Audit Manager) from (EY). It set out those issues which were formally required to be reported to those charged with governance under the Audit Commission Code of Audit Practice and International Standards on Auditing (UK and Ireland) (ISA (UK and I)) 260. The Audit Report also included the result of the work that EY had undertaken in assessing the Council's arrangements in securing value for money in the use of its resources, as the Performance and Audit Scrutiny Committee was now charged with governance in accordance with the powers delegated to it under the Council's Constitution.

The Council's unaudited 2012-2013 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 28 June 2013 had been updated to reflect adjustments recommended by External Audit from their audit work. Members were advised that the adjustments were all immaterial to the overall financial position of the Council and were in most cases merely presentational changes. However, one item had not been adjusted in respect of the Newmarket Leisure Centre adjudication costs. This item had been carried forward from the 2011-2012 statement of accounts audit and it had been agreed by Members at Council on 26 September 2012 that this would remain as an unadjusted item for the 2011-2012 statement of accounts.

Also attached as Attachment 2 to Report No: PAS13/010 was a Letter of Representation, on behalf of the Council, in connection with the audit of the financial statement for Forest Heath District Council for the year ended 31 March 2013.

Mr Belcher confirmed that all work on the audit of the Council's statement of accounts and value for money arrangements have now been completed and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion and certificate by the deadline of 30 September 2013, stating the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources. He wished to thank the Head of Resources and Performance and her team who had been helpful and instrumental in making this a very smooth audit for EY this year and this had been reflected in the lack of issues and errors in the report.

However, he wished to draw the Committee's attention to a couple of key areas. Firstly, on page 9 of Attachment 1 of Report No: PAS13/011, Mr Belcher confirmed that there had been no changes made in the assessment of independence since the assessment was brought to the Committee in the Audit Plan in January 2013.

Secondly, it was confirmed that the total audit fee for 2012-2013 remained the same as previously indicated to the Committee in the Audit Plan in January 2013. However, the certification of claims and returns fee was still a proposed final fee as work on claims in general had only just commenced. If there was a need to vary the fee level, then this would be reported back to the Committee. Finally, on page 10 of Appendix 1 of Attachment 1, the unadjusted audit error for Newmarket Leisure Centre relating to capital spend, which EY did not necessarily feel complied with the Accounting Standards.

Members asked a number of questions in relation to the Newmarket Leisure Centre adjudication costs, to which Mr Belcher and Officers duly responded.

With the vote being unanimous, it was

RESOLVED:

That:-

- 1) The unqualified opinion on the Financial Statements for 2012-2013 (page 3 of Attachment 1), issued by the Auditor be noted.
- 2) The Value for Money conclusion stating that the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources (page 3 of Attachment 1), issued by the Auditor be noted.
- 3) The Letter of Representation on behalf of the Council, be approved for signing by the Chief Financial Officer and the Chairman of the Performance and Audit Scrutiny Committee, before the Audit Director issues his opinion and conclusion.

705. **ERNST AND YOUNG – PRESENTATION OF ANNUAL AUDIT AND CERTIFICATION FEE LETTER 2013-2014 (REPORT NO PAS13/011)**

The Committee received Report No: PAS13/011, which confirmed the audit certification work which Ernst and Young proposed to undertake in the 2013-2014 financial year and set out the fee for that work. The letter was for information and estimated the fee for Ernst and Young's audit and certification work at the Council in the coming year. The quoted fee was an estimate and should any significant amendments to the fee be found to be necessary during the course of the audit, this would be presented to and discussed with the Committee.

Gary Belcher (External Audit Manager) from EY attended the meeting and presented the Annual Audit Letter. Mr Belcher explained how the scale fees were generated and set on an individual council basis; the fees for the remainder of the EY contract period and how the fee was monitored. He pointed out some of the key areas of the report to Members, including the additional work on the Home of Horseracing Trust project which would be discussed further with Officers regarding the actual scope of the work. With regard to shared services, for this year, EY had tried to achieve economies of scales in how the audit had been conducted in terms of sharing the audit teams with St Edmundsbury Borough Council and at Forest Heath District Council.

Members discussed the report, and with the vote being unanimous, it was

RESOLVED:

That the Annual Audit and Certification Fee Letter 2013-2014 be noted.

706. **PRESENTATION BY THE CABINET MEMBER FOR ENVIRONMENT AND WASTE (VERBAL)**

The Chairman welcomed Councillor N A Roman, Cabinet Member for Environment and Waste, who had been invited to the meeting to discuss his Portfolio and performance issues.

Councillor Roman opened his presentation by thanking the Committee for the invitation. He then provided a broad overview of his role as Deputy Leader of the Council and Portfolio Holder for Environment and Waste, which identified the following areas of activity:

- (1) Waste Management, Street Scene and Grounds Maintenance – household waste collection and recycling; commercial waste and recycling; cleansing of streets and public open spaces, fly-tipping.
- (2) Environmental Management – investigating and regulating contaminated land/industrial pollution control; monitoring air quality/private drinking water supplies; offering energy efficiency and broader environmental advice; providing advice and support to alleviate fuel poverty.
- (3) Public Health and Housing – the service delivers the core environmental health areas relating to protecting residents e.g. noise nuisance; commercial noise; considers and comments on licensing applications in terms of potential noise nuisance and suggests conditions for premise licenses and temporary events as well as commenting on planning applications.
- (4) Business Regulation and Licensing – Food hygiene and safety inspections; health and safety inspections; communicable/infectious disease control; licensing of premises/hackney carriage/private hire drivers and vehicles; enforcement approaches

The Portfolio Holder provided each Member with an information booklet to take away, which contained the A-Z of the service, further detailed key facts and figures and the future challenges for each of the service areas mentioned in 1 – 4 above.

Members discussed the presentation in detail and asked a number of questions of the Portfolio Holder, in particular responses were provided to questions as follows:

- (1) The Council had a very good record of waste recycling and aimed to improve further on its position (currently 99th) in the national league table and 91st in the country. Forest Heath was one of the early adopters of the recycling schemes currently in place. A number of major contracts were coming up for review, such as the sorting of the blue waste and this

would provide the Council with an opportunity to review what was affordable in trying to improve performance moving forward, when renewing contracts. Recycling was done in partnership across the whole of Suffolk through the Suffolk Waste Partnership which had set a vision to recycle 60% of waste. Benchmarking was also carried out with other authorities and professional bodies.

(2) Over recent years fly-tipping in Forest Heath had fallen sharply. In 2007-2008 there were 790 reported incidents and in 2012-2013 this had fallen to 280 incidents. Over the same period the Council had greatly increased the number of enforcement actions:

- 2007-2008 369 interventions
- 2012-2013 819 interventions including:
 - 300 Investigations
 - 158 Warning letters
 - 4 Prosecutions
 - 357 Duty of Care inspections (this refers to the audit trail of the waste from the originator to the bio-disposal point)

Action taken in reducing fly-tipping was done through proactive and reactive engagement; education and prosecution and graduated enforcement in line with Council's Enforcement Policy through:

- investigations
- warning letters
- fix penalty notices
- cautions
- prosecution
- duty of care inspections
- targeting hot spot areas as a deterrance by using warning signs, letters, deployed CCTV and visible presence.

(3) Home energy efficiency and fuel poverty - It was estimated that about 1 in 6 homes were in fuel poverty. This was a significant part of the population and would vary according to the economic circumstances and also locally as to whether a home was on or off the gas main and the state of the property. There was information available which could be provided in terms of the general performance of the housing stock and data was collected nationally. The Council's focus was on securing, through utility companies, the improvement of energy efficient and that was the primary driver. Financially, utility companies had a responsibility and a statutory obligation to improve energy efficiency and this was linked to the cost of fuel.

The Chairman suggested that at its next meeting the Committee receive a presentation/report on fuel poverty to enable the Committee to get a better understanding of the Council's strategy on fuel poverty; including an analysis of housing stock and their energy efficiency and comparisons with neighbouring authorities; and to look at the mechanism of how the Council supported fuel poverty and what advice the Council provided if someone phoned who was in fuel poverty.

On behalf of the Committee the Chairman thanked Councillor Roman for his comprehensive presentation and there being no decision required, the Committee **noted** the contents of the presentation.

707. LOCAL CODE OF CORPORATE GOVERNANCE (REPORT NO PAS13/012)

The Committee received Report No: PAS13/012, which advised that it was good practice to review the local code of corporate governance periodically. The Council's current Local Code was last revised in 2010. A review of the document had been undertaken to ensure it continued to reflect best practice and shared services arrangements. The review had taken into account the 2012 published documents "Delivering Good Governance in Local Government: Framework (Addendum)" and Delivering Good Governance in Local Government: Guidance Note for English Authorities which had both provided additional guidance on key areas of change since the launch of the original framework in 2007. The Council's Corporate Governance framework consisted of six core principles which should be embedded in the Council's work:

- i) Focussing on the council's purpose and community needs;
- ii) Having clear responsibilities and arrangements for accountability;
- iii) Good conduct and behaviour;
- iv) Taking informed and transparent decisions which were subject to effective scrutiny and risk management;
- v) Developing the capacity and capability of members and officers to be effective; and
- vi) Engaging with local people and other stakeholders,

The revised new Local Code was attached as Appendix A to Report No: PAS13/012.

Members discussed the report and asked a number of questions, to which officers duly responded.

With the vote being unanimous, it was

RECOMMENDED:

That Council be recommended to adopt the revised Local Code of Corporate Governance, attached as Appendix A to Report No: PAS13/012.

708. ANNUAL GOVERNANCE STATEMENT (2012-2013) (REPORT NO PAS13/013)

The Committee received Report No: PAS13/013, which sought Members approval of the Annual Governance Statement for 2012-2013, attached as Appendix A. The Annual Governance Statement was designed to provide stakeholders of the Council with assurance that the Council had operated within the law and that the Council had met the requirements of the Accounts and Audit Regulations 2011. A statement had been prepared by a Joint Governance Group and a self-assessment covering the six core principle of corporate governance was completed by the Group. Arising from the assessment an Action Plan for 2012-2013 had been produced and was attached as Appendix B.

The Head of Resources and Performance wished to draw the Committee's attention to page 10 of Report No: PAS13/013 headed up "significant governance issues". The section highlighted areas which the Council would be focusing on to ensure that there were no significant governance issues.

The Committee was asked to review and approve the Annual Governance Statement prior to it being signed off by the Chief Executive and the Leader of the Council.

The Committee discussed the report and with the vote being unanimous, it was

RESOLVED:

That the Annual Governance Statement for 2012-2013, attached as Appendix A to Report No: PAS13/013, be approved and signed by the Chief Executive and the Leader of the Council.

709. **2012-2013 STATEMENT OF ACCOUNTS (REPORT NO PAS13/014)**

The Committee received Report No: PAS13/014, which sought Members approval of the 2012-2013 Statement of Accounts, attached as Appendix A, in accordance with powers delegated to it under the Council's Constitution. In addition to providing supporting information regarding the preparation and presentation of the 2012-2013 accounts, the report also provided a summary of financial highlights for the 2012-2013 financial year.

EY had commenced the audit of the Council's draft Statement of Accounts in July 2013, with a view to its completion prior to the 30 September 2013 deadline for publication. The results of EY's review of the accounts were provided in the Annual Governance Report which was included on the Committee's Agenda (PAS13/010 above). The attached Statement of Accounts (Appendix A) had been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution.

The Committee was reminded that Mr Belcher from EY had confirmed that the audit for Forest Heath District Council had been concluded this evening (24 September 2013) and had issued an unqualified opinion on the financial statements and the value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources. This meant the Committee was now in a position to sign the 2012-2013 Statement of Accounts off this evening (24 September 2013).

The Head of Resources and Performance wished to draw the Committee's attention to the Council's balance sheet set out on page 13 of Appendix A of Report No: PAS13/014, highlighting a couple of major movements relating to property, plant and equipment; increases in the pension liability; the overall reduction in usable receipts.

The Head of Resources and Performance wished to thank the Finance Team for all their work involved in pulling the accounts together during an uncertain time as part of the shared services restructure which was a great credit to the whole team. The Chairman wished to recognise the work of the Finance Team and

would be writing to each member of the team to personally thank them on behalf of the Committee for their outstanding work.

The Committee scrutinised the draft accounts and raised questions to which responses were given as follows:

- (i) The reference made to "Assets held for Sale" set out in the Council's Balance Sheet on page 13 of Appendix A, referred to St Johns Community Centre which was transferred into the balance sheet at cost which recognised that as of 31 March 2013, the Council anticipated that the asset would be disposed of within the next 12 months. A set criteria was used to determine that it was an asset held for sale. Members suggest that in the 2013-2014 Statement of Accounts that reference be made within the notes, setting out the name of the asset.
- (ii) The definition of cash and cash equivalents did not refer solely to money in the bank. It could be any cash which was readily available such as investments due to mature within the next three months.

The Committee suggested that for future publications of the Council's Statement of Accounts, that the chart showing the sources of the Council's income for the financial year be broken down further to show where the fees and charges, government grants etc. came from. Officers agreed to take forward the Committee's comments.

With the vote being unanimous, it was

RESOLVED:

That:-

- 1) The 2012-2013 Statement of Accounts, be approved.
- 2) The Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2012-2013 Statement of Accounts on behalf of the Committee.
- 3) The Chief Financial Officer, in consultation with the Portfolio Holder for Resources, Governance and Performance, be given delegated authority to make any presentational and non-material changes to the Statement of Accounts that may be required up to the date of publication.

710. **DELIVERING A SUSTAINABLE BUDGET (2014-2015) (REPORT NO PAS13/015)**

The Committee received Report No: PAS13/015, which set out the context relating to, and outlined progress made on, delivering a balanced budget for 2014-2015. The Council had made significant local savings and through shared services with St Edmundsbury Borough Council. However, there was no let up in the financial pressures the Council faced and it was therefore critical that it continued to deliver savings and creates new income opportunities by adopting a more commercial approach. A summary of future pressures and uncertainties was provided in the report, including the Spending Round 2013; the new

Homes Bonus; Business Rate Retention; Local Council Tax Reduction Scheme and pensions.

The budget gaps for the years 2014-2015 to 2016-2017 were projected in Table 2 of the report. There was still a lot of uncertainty around the assumptions and budget pressures contained within the Council's Medium Term Financial Strategy (MTFS).

Members were advised to note that small changes in the assumption percentages could have a significant impact on the budget. The service assumptions would be reviewed and challenged as part of the 2014-2015 budget process. The Council would continue to update the assumptions as it progressed through the budget cycle and an updated report would be presented to the Committee on 28 November 2013.

The Head of Resources and Performance informed the Committee that since the report was published, information had been received on the likely revenue support grant settlement for 2014-2015 and 2015-2016. Across Suffolk the reduction was likely to be between 47%-49%, dependent on the local authority. Forest Heath was therefore looking at a reduction of 49% in its revenue support grant between those two years.

The Committee discussed the report and the prudent approach taken by the Council in developing its budget and asked a number of questions of the Head of Resources and Performance. In particular discussions were held the council tax freeze grant, the future of the revenue support grant and the office space review taking place at both St Edmundsbury Borough Council and Forest Heath District Council, to which the Cabinet Member for Resources and Performance and the Head of Resources and Performance provided responses.

With seven voting for and two abstentions, it was

RESOLVED:

That progress made on delivering a balanced budget for 2014-2015 be noted.

711. **PERFORMANCE AND AUDIT SCRUTINY COMMITTEE WORK PROGRAMME (REPORT NO PAS13/016)**

The Committee received Report No: PAS13/016 which provided information on the current status of the Committee's Work Programme. Attached as Appendix 1 to the report were details of items scheduled to be presented to the Committee during 2013-2014. The Chairman / Head of Resources and Performance advised Members that:

- 1) The Committee on 28 November 2013, would receive an update on the Delivering a Sustainable Budget and Medium Term Financial Strategy.
- 2) The Committee on 28 November 2013, would receive a report on Fuel Poverty.

3) The Joint Risk Management Strategy currently scheduled for 28 November 2013 to be rescheduled to 29 May 2014.

There being no decision required, the Committee **noted** the contents of the report.

The meeting closed at 7.40pm.