

Council 17 December 2013

CHAIRMAN'S REPORT PERFORMANCE AND AUDIT SCRUTINY COMMITTEE

Report by Cllr Sarah Broughton Chairman of the Performance and Audit Scrutiny Committee

This report covers the meetings of the Committee held on 26 September 2013 and 27 November 2013.

26 September 2013

- 1. Ernst and Young – Presentation of 2012-2013 ISA 260 Annual Governance Report to those Charged with Governance**
 - 1.1 Prior to considering the 2012-2013 Statement of Accounts, the Committee received a presentation from Neil Harris (Audit Director) and Gary Belcher (External Audit Manager) from Ernst and Young (EY) on the results of EY's audit work to date. The report (Report E119) set out the key messages arising from the audit of the Council's financial statements, and included an assessment of the Council's arrangements for securing value for money in its use of resources.
 - 1.2 Mr Harris confirmed that all work on the audit of the Council's value for money arrangements had been completed and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion and certificate by 30 September 2013, stating the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources. He thanked the Chief Finance Officer and her team for their co-operation throughout the audit, and the Committee echoed these sentiments.
 - 1.3 The Committee noted the unqualified opinion on the Financial Statements for 2012-2013 and the Value for Money conclusion, and Resolved: That the Letter of Representation on behalf of the Council be approved for signing by the Chief Finance Officer and the Vice-Chairman of the Performance and Audit Scrutiny Committee, before the Audit Director issued his opinion and conclusion.

2. Ernst and Young – Presentation of Annual Audit and Certification Fee Letter 2013-2014

- 2.1 The Committee received and noted report E120 presented by Mr Harris which confirmed the audit certification work which EY proposed to undertake in the 2013-2014 financial year and the fee for that work. The quoted fee was an estimate only, and should any significant amendments to the fee be necessary during the course of the audit, this would be presented and discussed with the Committee.
- 2.2 Mr Harris provided the context to the audit fees which were currently set by the Audit Commission and how the scale fees were generated for each local authority. He explained that EY, as part of its certification work would be looking at the audit claims work for 2012-2013 and if it was felt the fees should be reduced, EY would make representation to the Audit Commission to review the scale fee for 2014-2015.

3. Annual Governance Statement 2012-2013

- 3.1 The Committee received Report E121, which sought Members approval of the Annual Governance Statement (AGS) for 2012-2013, attached as (Appendix A). The AGS was designed to provide stakeholders of the Council with the 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 the Joint Governance Group and a self-assessment covering the six core principles of corporate governance had been completed by the Group. Arising from the assessment an Action Plan for 2012-2013 had been produced (Appendix B) to the report.
- 3.2 The Head of Resources and Performance drew the Committees attention to pages 10-11 of Appendix A, headed "significant governance issues". The section highlighted areas which the Council would be focusing on to ensure that there were no significant governance issues.
- 3.3 The Committee Resolved: That the Annual Governance Statement for 2012-2013, attached as Appendix A to Report 121, be approved for signing by the Chief Executive and the Leader of the Council.

4. 2012-2013 Annual Statement of Accounts

- 4.1 Following the presentation from EY, the Committee scrutinised the 2012-2013 Statement of Accounts as contained within Report E122 (Appendix 3), which sought Members approval of the accounts in accordance with the powers delegated to it under the Council's Constitution.
- 4.2 The Committee examined the accounts in detail, seeking explanations on a number of areas including:
- the Council's assets list (Appendix 1); and
 - allowances paid to Members (Appendix 2).
- 4.3 The Committee Resolved: That
- (a) The 2012-2013 Statement of Accounts, be approved in accordance with the powers delegated to it under the Council's Constitution.
 - (b) The Vice-Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2012-2013 Statement of Accounts on behalf of the Committee.

- (c) The Chief Finance 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.

5. Delivering a Sustainable Budget 2014-2015

- 5.1 The Committee received and noted Report E123, which set out the context relating to, and outlined progress made on delivering a balanced budget for 2014-2015. The Council had delivered significant savings over the last 10 years, which were set out in Table 1 of the report. Table 2 of the report, set out the budget gaps for the years 2014-2015 to 2016-2017. It was report that there was still uncertainty around the assumptions and budget pressures contained in the Council's Medium Term Financial Strategy.
- 5.2 Members noted that the small changes in the assumption percentages could have a significant impact on the budget, and that the service assumptions would be reviewed and challenged as part of the 2014-2015 budget process.
- 5.3 A summary of future pressures and uncertainties was provided, including the Spending Round 2013, the new Homes Bonus, Business Rate Retention, local council tax reduction scheme and pensions.

6. Car Park Tariffs 2014-2015

- 6.1 In 2012, the Overview and Scrutiny Committee (OAS) undertook an extensive review of car parking provision and charges in the Borough, which resulted in 17 recommendations to Cabinet, the majority of which were approved as part of the budget setting process, and subsequently approved in February 2013. The recommendations included new charges for each car park and season tickets which were introduced in April 2013. The detailed site by site recommendations included conditions both for specific rises in 2014 and for freezes of charges for up to 3 years.
- 6.2 Cabinet Report D190, of 21 September 2012, section 5(b) recommended that the OAS Committee receive a report each September, outlining any recommendations from officers for changes to car park tariffs, including supportive evidence and justification for changes, with the resulting recommendations being considered by the Performance and Audit Scrutiny Committee as part of the budget setting process.
- 6.3 The Performance and Audit Scrutiny Committee received Report E124, which had been updated following comments made by the OAS Committee at its meeting on 4 September 2013 (Report E84). The Parking Services Manager advised Members that following consideration of (Report E84) by the OAS Committee, revised data on current usage had been received, which required the figures set out in Report E124 (paragraph 1.2) to be amended downwards as follows:

Based on the current usage, the recommendations outlined below would yield:

<i>Recommendation 4:</i>	£109,881	£25,200
<i>Recommendation 6:</i>	£4,046	£1,200
<i>And recommendation 5 and 7 would yield</i>	£47,091	£22,800

- 6.4 The Committee and invited Councillors examined the report, including the revised figures and the comments made by the OAS Committee, and recommended Cabinet to approve the following recommendations as part of the budget setting process for 2014-2015:

- (a) the current 'Free from 3' offer trialled in Bury St Edmunds and Haverhill on Tuesdays and Fridays respectively be extended for a further year;
- (b) the free parking offer in Bury St Edmunds that is currently available to shoppers from 4pm for the late night shopping events in the run-up to Christmas continues and is adjusted to run from 3pm, in order to be consistent with the 'Free from 3' offer and help simplify publicity;
- (c) there is no increase in the cost of the current season ticket and weekly ticket offer at Parkway multi-storey car park and Ram Meadow car park;
- (d) the three hour tariff at Cattle Market/Arc should rise by 20p to £3.50;
- (e) the all day tariff at Parkway Multi Storey Car Park should rise by 10p to £2.30;
- (f) the three hour tariff at School Yard West should rise by 20p to £3.50; and
- (g) the all day tariff at Ram Meadow Car Park should rise by 10p to £2.30.

27 November 2013

1. Ernst and Young – Presentation of 2012-2013 ISA 260 Annual Governance Report to those Charged with Governance

- 1.1 The Committee received and noted Report E172 which updated Members on the outcome of the annual audit of 2012-2013 financial statements by Ernst and Young (the Council's external auditors) as detailed in their Annual Audit Letter for 2012-2013, attached as Appendix A to the report. The letter confirmed the completion of the audit of the 2012-2013 financial statements. No significant issues were noted by Ernst and Young, therefore the planned audit fee for the year remained unchanged.

2. Mid-year 2013-2014 Internal Audit Progress Report

- 2.1 This report advised Members of the work of the Internal Audit Section for the first six months of 2013-2014 (Appendix A), including the variety of projects and corporate activities which were supported through the work of the team.
- 2.2 An update on progress made against the 2013-2014 Internal Audit Plan was provided at Appendix B which had been previously approved by the Committee in April 2013 and sought approval for changes to the Audit Plan, set out in paragraphs 3.1 – 3.4 of Annex A, in order to accommodate additional Internal Audit assistance with various corporate and finance projects.
- 2.3 Summaries of the 19 audit reviews which had been completed to final report stage were included in Appendix A to the report. The summaries provided an indication of the issues arising from the reviews, as well as action taken in response to previous audit reports.
- 2.4 Members scrutinised the report, which particular emphasis on Annex A and the changes proposed to the 2013-2014 Audit Plan and questioned officers on

a number of areas including cash handling audits, staff training relating to the Money Laundering Regulations and Internal Audit resources.

- 2.5 The Committee Resolved: That the amendments set out in Annex A to Report 173 to reflect changes in priority and service needs be approved.

3. Key Performance Indicators and Quarter 2 Performance Report 2013-2014

- 3.1 Members considered the second quarter report for 2013-2014, covering the period April to September 2013. A total of 37 indicators for St Edmundsbury were reported this quarter, of which 16 were green, 3 were amber, 9 were red and 9 were data only indicators. For West Suffolk there were a total of 35 indicators, of which 14 were green, 3 were amber, 8 were red and 10 were data only indicators.
- 3.2 Members discussed a number of the indicators, with particular emphasis on those showing "red" under the traffic light system, and held discussions on the planning and homelessness indicators, including the merits of introducing new KPI indicators for planning enforcement, to which officers provided responses.

4. Biannual Corporate Complaints and Compliments Digest

- 4.1 Twice yearly the Committee receives an overview of the quantity and range of corporate complaints received over the previous half-year, which the Committee uses to monitor the Council's effectiveness at responding to and learning from any mistakes which have been made. For the first half of this financial year, 27 corporate complaints had been received, compared to 21 during the same period last year.
- 4.2 The report detailed response times to those complaints, and provided a breakdown of the complaints by Service and details of each complaint, and also highlighted the 73 compliments that had been received across the authority during the reporting period.
- 4.3 Members expressed pleasure in the number of compliments received in the reporting period to date.

5. Budget Monitoring Report 1 April to 30 September 2013

- 5.1 The Committee received the quarterly monitoring report which informed Members of the Council's financial position up to the end of September 2013 and highlighted significant variances. The latest Revenue Budget Summary indicated a current underspend of £609,000 with a forecast position for the year end showing an underspend of £113,500.
- 5.2 In terms of the Council's Capital financial position the first six months showed an expenditure of £939,000. The Council had received £232,000 in capital receipts in the period to 30 September 2013, and the Reserves Monitoring Report showed earmarked reserves of £10,449,000 with a projected year end balance of £9,110,000.

6. Delivering a Sustainable Budget 2014-2015

- 6.1 The Committee received and noted Report E177, which set out the progress made towards delivering a balanced budget for 2014-2015, following its last update on 26 September 2013, were the Committee received Report E123, setting out the context for the 2014-2015 budget, including details of savings targets and know pressures for 2014-2015 and future years.

- 6.2 The latest budget projections, additional pressures and the progress made to date in achieving the 2014-2015 savings target and the budget gaps for the years 2014-2015 to 2016-2017 were provided. The current budget assumptions for 2014-2015 and for the period of the Medium Term Financial Strategy were also detailed in the report.
- 6.3 Members were advised that the comprehensive spending round, combined with other pressures was continuing to have a direct and significant effect on the Council's budget.
- 6.4 Members discussed the decrease in pension contributions and the reduction in car parking income.

7. Corporate Risk Register Quarterly Monitoring Report – September 2013

- 7.1 The second quarterly risk register monitoring report for 2013-2014 had been prepared following review by the Risk Management Group. No new risk had been identified and no risk had been amended or closed. However, some controls and actions had been updated and those which were not ongoing and had been completed by September 2013 had been removed from the register.
- 7.2 The Committee discussed some of the risks in this quarter's report, including the "provision of affordable housing" and "ICT integration", but did not make any suggestions for amendments to the Register on this occasion.

8. Investment Activity 1 April to 30 September 2013-2014

- 8.1 The Treasury Management Sub-Committee met on 18 November 2013, and considered the above report, which summarised the Treasury Management activity for the first six months of the 2013-2014 financial year.
- 8.2 The Sub-Committee was advised that interest earned during the first six months of the financial year amounted to £0.239m against the profiled budget for the period of £0.282m; a budgetary deficit of £0.043m. This was due to a lower average rate of interest than projected during the period, i.e. an average rate of return of 1.317% against a target rate for the period of 1.50%. The reduction in the average interest rate was primarily due to the continued fall in rates being offered on both call accounts. In the current economic climate it was considered likely that the current low rates would continue for the remainder of this year.
- 8.3 The Sub-Committee had scrutinised the content of the report, asking questions of officers as necessary and suggested that a future Member Development session on Treasury Management be arranged, which Officers agreed to take forward. There were no issues or recommendations needed to be brought to the attention of the Performance and Audit Scrutiny Committee on this occasion.

9. Review of the Council's Treasury Management Strategy

- 9.1 The Treasury Management Sub-Committee on 18 November 2013 considered the above report, which provided the findings of the review carried out by the Council's appointed external consultants, PS Live on the Council's current Treasury Management Investment Strategy; an outline to the external support available for treasury management activities, and a summary of the external support presentations held at the Treasury Management Sub-Committee meeting held on 23 September 2013. Representatives from PS Live attended the meeting and provided input to the meeting, which was held in open public session.

9.2 The Sub-Committee had scrutinised the content of the report in detail and the Performance and Audit Scrutiny Committee endorsed its recommendation that Option C, as detailed in Report E163, and the potential use of Fund Managers be set out within the 2014-2015 Treasury Management Strategy; and a procurement exercise on a potential Fund Manager be carried out during 2014-2015 be approved through Cabinet and Full Council.

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