

Council 25 February 2014

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 meeting of the Committee held on 29 January 2014.

1. Third Quarter 2013/2014 Internal Audit Progress Report

- 1.1 This report updated Members on the work of the Internal Audit Section in November and December 2013 (Annex A). Summaries of completed audits were included at Appendix A to the Annex, with progress made against the revised 2013/2014 Internal Audit Plan shown at Appendix B, which had previously been approved by the Committee in November 2013.
- 1.2 Summaries of the three 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.
- 1.3 Members scrutinised the report, with particular emphasis on the audit review of payment cards to which responses were provided.

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

- 2.1 Members considered the third quarter report for 2013-2014, covering the period April to December 2013. A total of 36 indicators for St Edmundsbury were reported this quarter, of which 16 were green, 2 were amber, 8 were red and 10 were data only indicators. For West Suffolk there were a total of 34 indicators, of which 12 were green, 7 were amber, 4 were red and 11 were data only indicators.
- 2.2 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 indicators and the process for setting targets, to which responses were provided.

3. Interim Annual Performance Report for The Apex

- 3.1 The Committee received an interim report from The Apex Performance Panel which suggested that future performance reports be moved to July to tie in with the normal year-end reporting, allowing for more meaningful assessments on performance. The interim report included an executive summary, Apex performance, Sodexo catering and hospitality contract, analysis of budgets and conclusion.
- 3.2 The Committee scrutinised the interim report in detail and asked a number of questions to which responses were provided. In particular discussions were held on the terms of reference for The Apex Performance Panel; the frequency of monitoring reports; the overall Apex budget; ticket prices; the Sodexo contract and the lack of public transport in rural areas in the evenings and weekends to Bury St Edmunds, to which responses were provided.
- 3.3 The Committee noted the contents of the interim performance report and agreed for future performance reports to be presented to the Committee biannually, to align with normal year-end budget reporting, including a summary of the work of The Apex Performance Panel.

4. Budget Monitoring Report 1 April to 31 December 2013

- 4.1 The Committee received the quarterly monitoring report which informed Members of the Council's financial position up to the end of December 2013. The latest Revenue Budget Summary indicated a current underspend of £737,000 with a forecast position for the year end showing an underspend of £163,500.
- 4.2 In terms of the Council's Capital financial position the nine months showed an expenditure of £1,410,000. The Council had received £232,000 in capital receipts in the period to 31 December 2013, and the Reserves Monitoring Report showed earmarked reserves of £10,874,000 with a projected year end balance of £9,854,000.
- 4.3 The Committee asked a number of questions in relation to the report to which responses were provided. In particular, discussions were held on the Capital Budget for 2013/2014, which Members were advised was unlikely to be exhausted, and would therefore largely be rolled over into the 2014/2015 Capital Budget.

5. Corporate Risk Register Quarterly Monitoring Report – December 2013

- 5.1 The third 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 December 2013 had been removed from the register.

- 5.2 The Committee did not make any suggestions for amendments to the Register on this occasion.

6. Investment Activity 1 April to 31 December 2013

- 6.1 The Treasury Management Sub-Committee met on 20 January 2014, and considered an update, which summarised the Treasury Management activity for the period 1 April to 31 December 2013.
- 6.2 The Sub-Committee was advised that interest earned during the first nine months of the financial year amounted to £0.355m against the profiled budget for the period of £0.463m; a budgetary deficit of £0.108m. This was due to a lower average rate of interest than projected during the period, i.e. an average rate of return of 1.054% 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.
- 6.3 The Sub-Committee had scrutinised the content of the report and discussed the balance of £38.5m at 31 December, and the recent article in the East Anglian Daily Times regarding the misconception that the amount reported at the end of March 2013 of £33.1m all belonged to the Council and was available to spend. It also questioned how the Interest Equalisation Earmarked Reserve worked and when it was last used to meet a budgetary shortfall in receipts to which responses were provided.
- 6.4 There were no issues or recommendations needed to be brought to the attention of the Performance and Audit Scrutiny Committee on this occasion.
- 6.5 The Performance and Audit Scrutiny Committee questioned whether the average rate of return of 1.054% as set out in the report was correct, to which a written response would be provided to the Committee.
- 6.6 The Committee noted the contents of the report and that a statement would be included in future Outturn Reports summarising what monies belonged to the Council and what monies it held for other organisations as the collecting agency.

7. Annual Treasury Management and Investment Strategy Statements 2014/2015

- 7.1 The Treasury Management Sub-Committee met on 20 January 2014 and considered Report E225, which provided information on the proposed Treasury Management and Investment Strategy Statements 2014/2015 (including treasury related prudential indicators).
- 7.2 Following the recent move to a West Suffolk shared finance service, including a shared treasury management function, between St Edmundsbury Borough Council (SEBC) and Forest Heath District Council (FHDC) the opportunity had been taken to align, where possible, the two Councils' Annual Treasury Management and Investment Strategy Statements (Strategy) and Treasury Management Code of Practice.

- 7.3 The new Strategy still recognised that the two Councils continued to have different investment criteria and limits due to the different size investment portfolios and different external advisors/fund managers.
- 7.4 The alignment of the Strategies had resulted in changes to the wording and format within the documents but the meaning behind the words remained the same. The new Strategy was in line with the CIPFA Code of Practice on Treasury Management and the guidance issued from the Department for Communities and Local Government (CLG).
- 7.5 The Sub-Committee had examined the report in detail. In particular, discussions were held on the current interest rates being achieved against the projected interest rates for 2014/2015 to 2017/2018; whether the 1.5% interest rate projected up until 2015/2016 was too optimistic in the current financial climate and the Interest Equalisation Earmarked Reserve.
- 7.6 The Committee considered the report and recommended that the Annual Treasury Management and Investment Strategy Statements 2014-2015, attached as Appendix 1 to Report E225, be approved through Cabinet and Full Council, subject to the following minor amendment: Paragraph 42: the wording set out in the table be amended to read '*Investment Date*' instead of '*Date Loaned*'.

8. Treasury Management Code of Practice

- 8.1 The Treasury Management Sub-Committee met on 20 January 2014 and considered Report E226, which sought approval for the adoption of the proposed St Edmundsbury Borough Council Treasury Management Code of Practice. Following the recent move to a West Suffolk shared finance service, including a shared treasury management function, between St Edmundsbury Borough Council (SEBC) and Forest Heath District Council (FHDC) the opportunity had been taken to align, where possible, the two Councils' Treasury Management Code of Practice (Code) and the Annual Treasury Management and Investment Strategy Statements (Strategy).
- 8.2 The new Codes still recognised that the two Councils continued to have different investment criteria and limits due to the different size investment portfolios and different external advisors/fund managers.
- 8.3 The alignment of the Code had resulted in a number of wording and format changes within the documents but the meaning behind the words remained the same. The new Code was in line with the CIPFA Code of Practice on Treasury Management and the guidance issued from the Department for Communities and Local Government (CLG).
- 8.4 The Sub-Committee had scrutinised the content of the report, and the Committee endorsed its recommendations that:
- (1) the Treasury Management Code of Practice, as contained in Appendix 1 to Report E226, be approved through Cabinet and Full Council; and

- (2) any changes required to be made to the Treasury Management Code of Practice to be annexed to the Annual Treasury Management and Investment Strategy on an annual basis.

9. Work Programme Update

- 9.1 Members reviewed the current position of the work programme, and noted the items scheduled to be presented to the Committee during 2014/2015.

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