

**ST EDMUNDSBURY BOROUGH COUNCIL**

**PERFORMANCE AND AUDIT SCRUTINY COMMITTEE**

**Minutes of a meeting held on Wednesday 27 November 2013 at  
4.30 pm, in Conference Room West, West Suffolk House,  
Western Way, Bury St Edmunds**

PRESENT: Councillor Mrs Broughton (Chairman)  
Councillors Cox, Mrs Hind, Mrs Levack, Redhead,  
Mrs Richardson, Mrs Wade and Mrs Warby.

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

**24. Apologies for Absence**

Apologies for absence were received from Councillor Cockle, Councillor Farmer and Mrs Hopfensperger.

**25. Substitutions**

The following substitutions were declared:-

Councillor Mrs Hind substituting for Councillor Cockle  
Councillor Mrs Levack substituting for Councillor Farmer.

**26. Minutes**

The minutes of the meeting held on 26 September 2013 were confirmed as a correct record and signed by the Chairman.

**27. Declarations of Interest**

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

**28. Ernst & Young – Presentation of Annual Audit Letter 2012-2013**

The Committee received Report E172 (previously circulated), 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 Report E172. The letter attached at Appendix A 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.

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

*(Councillors Mrs Levack, Redhead and Mrs Wade arrived during the consideration of this item)*

## **29. Mid-Year Internal Audit Progress Report 2013-2014**

The Committee received Report E173 (previously circulated), which advised Members of the work of the Internal Audit Section for the first half of 2013-2014 (Appendix A), which provided Members with a flavour of the variety of projects and corporate activities which were supported through the work of the team.

The report also provided an update on progress made against the 2013-2014 internal Audit Plan, attached as Appendix B, previously approved by the Committee in April 2013 and sought approval for changes to the Audit Plan, attached as Annex A, paragraphs 3.1 – 3.4, in order to accommodate additional Internal Audit assistance with various corporate and finance projects.

During the period 19 audit reviews had been completed to final report stage. Audit reports were issued as final when their content had been agreed with management, in particular responsibility for actions and timescales. Appendix A to the report contained a summary of the content of the Internal Audit Reports issued during the current financial year. Each summary provided an indication of the issues arising from the reviews as well as action taken in response to previous audit reports.

Members scrutinised the report, with particular emphasis on Annex A and the changes proposed to the 2013-2014 Audit Plan and questioned officers on a number of areas who duly responded. In particular, discussions were held on the:

- (1) Money Laundering Regulations: Members were advised that not all staff required the same level of financial training. Further training options were currently being explored, such as E-learning packages. Staff were also reminded through the weekly newsletter of the policy which requested them to familiarise themselves with the contents. Members suggested that the frequency of reminders should be more than every six months.
- (2) Members were advised that where audits had been carried and recommendations were made, further audits would be undertaken if actions had not been implemented within the agreed timescale.
- (3) Officers agreed to provide a written response to the question raised regarding cash handling audits.
- (4) In response to a question regarding Internal Audit resources Members were reassured that staffing was currently considered to be adequate to fulfil audit responsibilities for 2013-2014 but that due to the recent loss of two staff members the Internal Audit Manager, in conjunction with the Head of Resources and Performance, needed to assess staff resource requirements for 2014-2015 and beyond.

With the vote being unanimous, it was

RESOLVED:

That, the amendments as set out in Annex A to Report E173 to reflect changes in priority and service needs be approved.

### **30. Key Performance Indicators and Quarter 2 Performance Report 2013-2014**

The Committee received Report E174 (previously circulated), which set out the Key Performance Indicators being used to measure the Council's performance for 2013-2014 and provided an overview of performance against those indicators for the second quarter of 2013-2014. Appendix A included performance against Quarter two 2013-2014 for St Edmundsbury together with a combined performance for West Suffolk, where relevant. A colour coded "traffic light" system was used to indicate levels of performance against agreed targets: Green for on or exceeding target; Amber for below target within tolerance and Red for significantly below target. Where performance was below target the data was supported by notes and explanations from service areas.

The current quarter two performance summary for St Edmundsbury showed that of a total of 37 indicators, 16 were green, 3 were amber, 9 were red and 9 were data only indicators. For West Suffolk, the current quarter two performance summary showed that of a total of 35 indicators, 14 were green, 3 were amber, 8 were red and 10 were data only indicators.

The Committee discussed a number of the indicators, with particular emphasis on those showing red under the traffic light system, and asked questions on a number of areas, including the use of quarterly, annual and accumulative targets to which officers duly responded. In particular, discussions were held on the:

- (1) Homelessness Indicators – Members were advised that following the shared services restructure of Housing Services, additional focus had been provided for dedicated staff resources for the assessment of homeless applications, and Housing Options staff were in place who were responsible for a specific geographical area. It was reported that the indicators should improve during quarter three, onwards.
- (2) Planning Indicators – Members were advised that the Planning Section was currently working through the backlog of planning applications and the increases in applications had also impacted on workloads. The planning service had recently gone through shared services, which had seen a number of staff changes, and a new Principal Planning Officer would be joining the authorities in the New Year. Due to the time between applications being registered and determined, it would take several months before the indicators moved from "red" to "amber", but the trend in performance was already positive.
- (3) Fly-tipping Indicators – Members were advised that no notes were provided as these were contextual indicators. A written answer would be provided.

Members discussed the merits of introducing new KPI indicators for planning enforcement. The Development Manager advised Members that enforcement issues and caseloads would be presented to Development Control on a quarterly basis under the new planning and building control processes, and agreed to look at how this information could be fed into the Performance and Audit Scrutiny Committee. The Head of Policy, Communications and Customers informed Members that she was keen to look at measuring customer satisfaction on the services that residents received. However, any KPI needed to be meaningful as well as measurable.

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

*(Councillor Mrs Richardson arrived during the consideration of this item)*

### **31. Biannual Corporate Complaints and Compliments Digest**

The Committee received Report E175 (previously circulated) which was the Biannual Corporate Complaints and Compliments Digest covering the period 1 April to 30 September 2013.

The aim of the digest was to provide an overview of the number and range of corporate complaints, complaints monitored by the Policy Team, that the Council had received, as well as monitoring effectiveness at responding and learning from any mistakes that had been made. A total of 27 complaints had been received between April and September 2013, compared to 21 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 the complaints by Service and also details of the complaints received. In addition, the report highlighted 73 compliments which had been received across the authority during the reporting period and outlined the Teams and Services who had received them.

In previous years the Committee had also received a report from the Local Government Ombudsman (LGO) which summarised the complaints about the Council which had been investigated for the year end. This year the LGO had only presented the total number of complaints received for 2012-2013 and had not provided the more detailed information offered in previous years. This was due to changes in the LGO's business processes during the course of 2012-2013. This had meant the LGO was not able to provide a consistent set of data for the entire year. It was hoped that the LGO would publish more detailed information next year. It was reported that in 2012-2013 LGO received 12 complaints about the Council, compared to ten in the previous year. Of this 12, nine were not upheld and three were partly upheld.

The Committee discussed the report and asked a number of questions. In particular what was recorded in the reporting figures as a complaint, to which officers duly responded.

The Committee expressed pleasure in the number of compliments received in the reporting period to date, and there being no decision required, the Committee **noted** the contents of the report.

### **32. Budget Monitoring Report 1 April to 30 September 2013**

The Committee received Report E176 (previously circulated) which provided information on the financial position for the first six months of the financial year 2013-2014. Attached to the report at Appendix A was the Revenue Budget Summary which indicated a current underspend of £609,000 with a forecast position for the year end showing an underspend of £113,500. Appendix B detailed the Council's capital financial position for the first six months 2013-2014, showing expenditure of £939,000.

Attached as Appendix C was the Capital Programme which listed each individual capital scheme. It was reported that following discussions with budget holders, that it was not expected that the full year capital budget would be spent.

The Council had received £232,000 capital receipts in the period to 30 September 2013, details of which were attached at Appendix D. The Reserves Monitoring Report was attached at Appendix E which showed earmarked reserves as at 30 September 2013 showing a balance of £10,449,000 with a projected year end balance of £9,110,000.

The Budget Holders would continue to work with the Resources Business Partners and Business Support Advisors for the remainder of the financial year in order to monitor the forecast position and an updated position would continue to be presented to the Committee on a quarterly basis.

Initial reporting was showing that the overall business rate yield anticipated for 2013-2014 was below that forecasted as part of the NNDR1 return in January 2013. Work would continue with the Anglia Revenue Partnership team to understand the variances within the overall yield, and a further update would be provided in the next quarters monitoring report. In the meantime the additional revenue assumed in the 2013-2014 budget of £333k remained an area of risk to the Council.

Members asked a number of questions in relation to the report, to which the Head of Resources and Performance duly responded. In particular discussions were held on the:

- (1) Significant Revenue Variances (Industrial Properties) – Members to be provided with a written answer on the number of vacant units and occupied industrial properties.
- (2) Significant Revenue Variances (Car Park Income) – Members to be provided with more defined figures on the variance, including the number of excess charge notices issued and the impact of the “free from three” parking initiative.
- (3) It was agreed that the next quarterly report would include information regarding the cost of corporate buildings.
- (4) The Apex – It was agreed that one of the figures reported in Appendix A to the report would be adjusted, but noted that the total variance was not affected.

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

### **33. Delivering a Sustainable Budget (2014-2015)**

The Committee received Report E177 (previously circulated), which updated Members on 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 known pressures for 2014-2015 and future years. The budget gaps for the years 2014-2015 to 2016-2017 were projected in Table 2 of the report. The current budget assumptions for 2014-2015 and for the period of the Medium Term Financial Strategy were also detailed in the report. The latest budget projections, additional pressures and the progress made to date in achieving the 2014-2015 savings target were set out in Table 1.

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.

Members asked a number of questions in relation to the report. In particular discussions were held on the decreased pension contributions and the reduction of car parking income, to which the Head of Resources and Performance duly responded. There being no decision required, the Committee **noted** the contents of the report.

#### **34. Corporate Risk Register Quarterly Monitoring Report – September 2013**

The Committee received Report E178 (previously circulated), which was the quarterly monitoring report in respect of the corporate risk register. The Council's Corporate Risk Register was updated regularly by the Risk Management Group. At its most recent assessment in September 2013, the Group reviewed the inherent risks, the risk level prior to any mitigating actions being taken, and the residual risk following actions put in place to reduce the risk. The latest copy of the revised risk register was attached as Appendix 1 to the report.

Since the last assessment report was presented to the Committee on 31 July 2013, there had been no new risks identified and no risks had been amended or closed. However, some controls or actions had been updated and those which were not ongoing and had been completed by September 2013 had been removed from the register.

It was reported that whilst a single risk register for West Suffolk had not yet been compiled, the development of a single management and service structure across Forest Heath and St Edmundsbury had seen considerable similarity between the risk registers of the respective councils.

The Committee discussed some of the risks in this quarter's report, including the "provision of affordable housing" and "ICT integration" to which comprehensive responses were provided.

The Committee did not make any suggestions for amendments to the Register on this occasion and there being no decision required, the Committee **noted** the contents of the report

#### **35. Work Programme Update**

The Committee received Report E179 (previously circulated) 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. Members were advised that:

- (1) the Budget Monitoring Report scheduled for 29 January 2014 should be for the period April to December 2013;
- (2) the Annual Public Report on the Performance of the Apex had be scheduled for 29 January 2014; and
- (3) the Budget Monitoring Report scheduled for 21 May 2014 should be for the period April 2013 to March 2014.

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

### **36. Investment Activity 1 April to 30 September 2013**

The Committee received and noted Report E164 (previously circulated), which had been considered by the Treasury Management Sub-Committee on 18 November 2013.

The Head of Resources and Performance provided a verbal report on the Sub-Committee's consideration of the report, which summarised the Treasury Management activity for the first six months of the 2013-2014 financial year. 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.

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 the Head of Resources and Performance 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.

The Committee discussed the Council's interest rate of return which its target was 1.5% and the Equalisation Earmarked Reserve to which comprehensive responses were provided.

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

### **37. Review of the Council's Treasury Management Strategy**

The Committee received Report E163 (previously circulated), which had been considered by the Treasury Management Sub-Committee on 18 November 2013.

The Head of Resources and Performance provided a verbal report on the Sub-Committee's consideration of the 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.

Officers had considered the use of either a Treasury Management Advisor and/or the use of an external Fund Manager as the options available to support the Council's treasury management Activities. Brokers were unable to offer any form of treasury management advice to the Council, so had been excluded from the three options set out in the report:

- Option A – Treasury Management Advisors only
- Option B - External Fund Managers only
- Option C – Combination of both Option A and B.

The Sub-Committee had examined the three options in detail and asked a number of questions to which the Head of Resources and Performance and representatives from PS Live, provided comprehensive responses.

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



**RECOMMENDED:-**

***That Cabinet be recommended to approve Option C, as set out in Report E163 and to set out the potential use of fund managers within the 2014-2015 Treasury Management Strategy; and that a procurement exercise on a potential fund manager be carried out during 2014-2015.***

The meeting concluded at 6.00pm.

**MRS S O BROUGHTON  
CHAIRMAN**