

**ST EDMUNDSBURY BOROUGH COUNCIL**

**PERFORMANCE AND AUDIT SCRUTINY COMMITTEE**

**Minutes of a meeting held on Wednesday 29 January 2014 at  
4.30 pm, in Conference Room West, West Suffolk House,  
Western Way, Bury St Edmunds**

PRESENT: Councillor Mrs Broughton (Chairman)  
Councillors Cox, Marks (substituting for Farmer),  
Redhead, Mrs Hopfensperger, Mrs Richardson, Mrs Wade  
and Mrs Warby.

BY INVITATION: Councillor Ray, Portfolio Holder for Resources and  
Performance.  
Councillor Sarah Stamp, Portfolio Holder for Heritage,  
Arts and Culture and Councillor Nettleton.

**38. Apologies for Absence**

Apologies for absence were received from Councillor Farmer.

**39. Substitutions**

The following substitutions were declared:-

Councillor Marks substituting for Councillor Farmer.

**40. Minutes**

The minutes of the meeting held on 27 November 2013 were confirmed as a correct record and signed by the Chairman subject to the following amendment:

That under minute 36, paragraph four, the word "Interest" be inserted to read .... **Interest** Equalisation Earmarked .....

**41. Declarations of Interest**

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

**42. Third Quarter 2013/14 Internal Audit Progress Report**

The Committee received Report E242 (previously circulated), which updated Members on the work undertaken by Internal Audit in November and December 2013 (Annex A). The report also provided an update on progress made against the 2013/14 Internal Audit Plan, attached as Appendix B, previously approved by the Committee on 27 November 2013.

During the period, three audit reviews had been completed to final report stage. Audit reports were issued as final where their contents had been agreed with management, in particular responsibility for actions and timescale. Appendix A to the report contained a summary of the content of the internal audit reports issued in November and December 2013. 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 the audit review of payment cards. Questions were raised with regard to the number of payment cards the Council held; who had access to the cards and whether there were any restrictions in place on their usage, to which comprehensive responses were provided.

There being no decision required, the Committee **noted** the contents of the report, including progress made against the 2013/14 Internal Audit Plan.

#### **43. Key Performance Indicators and Quarter 3 Performance Report 2013-2014**

The Committee received Report E243 (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 third quarter of 2013-2014. Appendix A included performance against Quarter three 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 three performance summary for St Edmundsbury showed that of a total of 36 indicators, 16 were green, 2 were amber, 8 were red and 10 were data only indicators. For West Suffolk, the current quarter three performance summary showed that of a total of 34 indicators, 12 were green, 7 were amber, 4 were red and 11 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 to which officers duly responded. In particular, discussions were held on the:

- (1) Planning Indicators – Members were advised that of the six KPIs relating to Planning and Regulatory Services, all of them were significantly below target. The performance on four of these indicators had however, improved from the first and second quarters of this year. Work continued in Planning and Regulatory Services to improve this performance but there would be a lag as the backlog was worked through. Many of the major applications which were over time were part of the backlog or were delayed by protracted negotiations or by deferrals from Development Control Committee. A more detailed report on planning performance, including information regarding enforcement, will be taken to the Council's Development Control Committee on a quarterly basis, with the first report being presented in April 2014. The Development Manager would then look at how this information would be fed into the Performance and Audit Scrutiny Committee.
- (2) Setting Targets - Portfolio Holders and Heads of Services went through an annual target setting process in May each year. These were then presented to the Performance and Audit Scrutiny Committee in July for comment.

A question was raised regarding what progress had been made in implementing the North West Haverhill Master Plan to which the

Development Manager agreed to raise with the Planning Policy Team who would provide a written response.

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

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

#### **44. Interim Annual Performance Report for the Apex**

The Committee received Report E244 (previously circulated), which advised Members, that as part of the two-year review of the Apex in December 2012, a Cabinet Panel had been established to oversee the future development of the venue and provide detailed monitoring of its performance. To ensure wider accountability it was agreed that this Panel would make an annual report to the Performance and Audit Scrutiny Committee.

It was suggested by the Panel that the date of future reports be move to July so as to tie in with the normal year-end reporting, allowing more meaningful assessments of performance. Therefore, Report E244 was an interim report to bridge the gap until the first proper annual report in July 2014. The interim report included an executive summary, Apex performance, Sodexo catering contract, analysis of budgets and conclusion.

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:

- (1) Terms of Reference - Concerns were raised with regard to the terms of reference for the Apex Performance Panel, including membership of the panel and political balance, which the Cabinet Member for Heritage, Arts and Culture agreed to look into.
- (2) Frequency of reports – Members suggested that the Committee should receive detailed biannual reports on the performance on the Apex (annual report July and mid-year report in November) in line with budget reporting.
- (3) Council subsidy – Members raised concerns with regard to the current level of subsidy to the Apex. The Cabinet Member advised Members that the Apex Performance Panel was looking at ways of reducing the level of subsidy provided, with the support of the new commercial team within Leisure and Cultural services.
- (4) Ticket prices – Members raised concerns at the pricing of some event tickets. The Cabinet Member advised Members that ticket prices were reviewed and were priced at a level to encourage people to try out new experiences. She explained that when promoters hired the venue, they set ticket prices and if an event was organised by the Council, the Council set ticket prices. The Apex Panel was looking at the pricing of tickets closely.
- (5) Sodexo contract – Members were advised that the contract was for a seven year period, which commenced at the start of 2012. Sodexo had developed a new marketing programme, which included social media and entire dining and event packages would be available in due course.

Members discussed the issue around the lack of public transport in rural areas in the evenings and weekends to Bury St Edmunds, and questioned whether the Apex and the Theatre Royal could look into promoting all inclusive events. The Cabinet Member advised Members that the Apex Performance Panel was looking into the issue of transport to the Apex.

Officers agreed to look into the exposed structural bolts inside the Apex building and whether covers could be provided.

There being no decision required, the Committee **noted** the contents of the interim performance report and that future performance reports would 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.

#### **45. Budget Monitoring Report 1 April to 31 December 2013**

The Committee received Report E245 (previously circulated), which provided information on the financial position for the first nine 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 £737,000 with a forecast position for the year end showing an underspend of £163,500. Appendix B detailed the Council's capital financial position for the first nine months 2013-2014, showing expenditure of £1,410,000.

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. This was due to some high value capital schemes being unlikely to commence in the financial year (i.e. Bury Community Football Project; Haverhill High Street Improvements).

The Council had received £232,000 capital receipts in the period to 31 December 2013, details of which were attached at Appendix D. The Reserves Monitoring Report was attached at Appendix E which showed earmarked reserves as at 31 December 2013 showing a balance of £10,874,000 with a projected year end balance of £9,854,000.

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 a budget outturn position would be presented to the Committee after the end of year financial year. 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. In the meantime tan amount assumed in the 2013-2014 budget of £93,000 remained an area of risk to the Council.

Members asked a number of questions in relation to the report to which officers duly responded. In particular discussions were held on the Capital Budget for 2013/14, which was unlikely to be all used, and would therefore be rolled over in the main into the 2014/15 Capital Budget.

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

#### **46. Corporate Risk Register Quarterly Monitoring Report – December 2013**

The Committee received Report E246 (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 December 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 27 November 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 December 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 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

#### **47. Investment Activity 1 April to December 2013**

The Committee received and noted Report E224 (previously circulated), which had been considered by the Treasury Management Sub-Committee on 20 January 2014.

The Head of Resources and Performance provided a verbal update on the Sub-Committee's consideration of the report, which summarised the Treasury Management activity for the period 1 April to 31 December 2013. The Sub-Committee was advised that interest earned during the first nine months of the financial year 2013-2014 amounted to £0.355m against a 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.

The Sub-Committee had scrutinised the content of the report, asking questions of officers. In particular the Sub-Committee discussed the balance of £38.5m at 31 December 2013 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. In fact this relates to investment balances not reserves, as quoted in the article. The Council does hold reserves, but the majority of these were earmarked for specific purpose like repair and maintenance on the council's assets or the purchase of waste freighters. The council's reported investment balance does include the council's reserves balances but it also includes other public sector funds such as the Council acts as a collection agency for Suffolk County Council, Suffolk Police and central Government through council tax and business rates. It also questioned how the Interest Equalisation

Earmarked Reserve worked and when it was last used to meet a budgetary shortfall.

The Sub-Committee suggested that a statement 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, which the Head of Resources and Performance agreed to take forward. There were no issues or recommendations which needed to be brought to the attention of the Performance and Audit Scrutiny Committee on this occasion.

A Member of the Committee questioned whether the average rate of return of 1.054% set out in paragraph 4.3 of the report was correct. The Head of Resources and Performance agreed to look into this and would provide a written response.

There being no decision required, 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.

#### **48. Annual Treasury Management and Investment Strategy Statements 2014-2015**

The Committee received Report E225 (previously circulated), which had been considered by the Treasury Management Sub-Committee on 20 January 2014.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management required that, prior to the start of the financial year that Council formally approved an Annual Treasury Management and Investment Strategy, setting out the Council's treasury management policy and strategy statements for the forthcoming year. The proposed Treasury Management and Investment Strategy Statements 2014/15 (including treasury related prudential indicators) attached as Appendix 1 to Report E225 and met the requirements of the CIPFA Code, together with the Department of Communities and Local Government's Guidance on Local Government Investments in England.

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 1.50% interest rate projected up until 2015-2016 was too optimistic in the current financial climate and the Interest Equalisation Earmarked Reserve.

The Head of Resources and Performance informed the Committee, that following the publication and the Sub-Committee's subsequent consideration of Report E225, the internal budget process had been finalised ready for consideration by Cabinet and then full Council at the end of February and due to revised assumptions in the investment balances which was linked to projections around the capital programme, business rates retention cash flows etc. the updated total interest receipts assumed in the 2014/15 budgets was now showing at £558k, and not £629K. Members were asked to note that the average interest rate of 1.50% still applied. It was merely the average investment balance that had changed to reflect the work from the budget process, and did not affect the approval of the Annual Treasury Management and Investment Strategy Statements 2014/15.

Councillor Cox felt that the projected interest rate of 1.50% was too high and that in his opinion 1.30% would be more achievable. He wished it to be recorded that he did not support the projected 1.50% interest rate.

The Performance and Audit Scrutiny Committee discussed the report in detail. In response to a question raised, the Head of Resources and Performance explained the role of external fund managers and the controls which had been put in place regarding the total value of funds controlled by an individual fund manager to the Council.

It was suggested that the wording set out in the table in Appendix 1 at paragraph 42 be amended to read "**Investment Date**", instead of "Date Loaned". The Head of Resources and Performance agreed to the suggested amendment.

With the vote being unanimous, it was



**RECOMMENDED:-**

***That subject to the approval of Full Council, the Annual Treasury Management and Investment Strategy Statements 2014/2015, as contained in Appendix 1 to Report E225, be adopted 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'.***

**49. Treasury Management Code of Practice**

The Committee received Report E226 (previously circulated), which had been considered by the Treasury Management Sub-Committee on 20 January 2014.

The Head of Resources and Performance reported that 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), officers had taken the opportunity to align, where possible, the two Council's Treasury Management Code of Practice (Code). The new Codes still recognised that the two Council's continued to have different investment criteria and limits due to the different size of investment portfolios and different external advisors/fund managers.

The alignment of the Code had resulted in 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). The proposed Treasury Management Code of Practice was attached as Appendix 1 to Report E226.

Changes to the Annual Treasury Management and Investment Strategy Statements 2014/2015 (subject to report E225) had all been reflected in the Code.

The Sub-Committee had examined the report in detail. In particular discussions were held on the comprehensive tendering process and the collaboration with a number of other Suffolk authorities who would be changing their bank from 1 April 2014 to Lloyds Bank plc on a five year contract. It also noted that changes made to the Annual Treasury Management and Investment Strategy had also been reflected in the Treasury Management Code of Practice and suggested that in future any changes to the Code could be reported through the Annual Treasury

Management Investment Strategy by making reference to changes required to the Code as an annex.

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



**RECOMMENDED:- That**

- (1) Subject to the approval of Full Council, the Treasury Management Code of Practice, as contained in Appendix 1 to Report E226, be adopted.**
- (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.**

**50. Work Programme Update**

The Committee received Report E247 (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 2014-2015.

There being no decision required, the Committee **noted** the contents of the report and that a mid-year progress report on the performance of the Apex would be scheduled for November 2014.

The meeting concluded at 6.16pm.

**MRS S O BROUGHTON  
CHAIRMAN**