

Informal Joint Performance and Audit Scrutiny Committee



**Notes of Informal Discussions held on Wednesday 29 November 2017
at 5.00pm in the Council Chamber, District Offices, Forest Heath
District Council, College Heath Road, Mildenhall**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillor Sarah Broughton
(Chairman of the informal discussions)

Councillors Susan Glossop, Betty McLatchy, David Roach, Barry Robbins, Andrew Smith, Peter Thompson, and Patricia Warby.

Forest Heath District Council (FHDC)

Councillors Michael Anderson, Chris Barker, John Bloodworth, Louis Busuttil, Simon Cole, Christine Mason, Colin Noble and Peter Ridgwell.

IN ATTENDANCE: FHDC – Councillor Stephen Edwards, Portfolio Holder for Resources and Performance

SEBC – Councillor Ian Houlder, Portfolio Holder for Resources and Performance

Councillor Ivor Mclatchy

Prior to the formal meeting, at 5.00pm informal discussions took place on the following three items:

- (1) External Assessment of Internal Audit;
- (2) Mid-Year Internal Audit Progress Report 2017-2018;
- (3) Balanced Scorecards and Quarter 2 Performance Report 2017-2018;
- (4) West Suffolk Strategic Risk Register Quarterly Monitoring Report – June 2017;
- (5) Work Programme Update; and
- (6) Building Control – Improvement Plan

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee had been invited to attend the District Offices, Mildenhall to enable joint informal discussions on the above reports to take place between the two authorities.

The Chairman of Forest Heath's Performance and Audit Scrutiny Committee welcomed all those present to the District Offices, Mildenhall and advised on the

format of the proceedings for the informal joint discussions and subsequent separate meetings of each authority, prior to handing over to the Chairman of St Edmundsbury's Performance and Audit Scrutiny Committee, who would be chairing the informal joint discussions.

Members noted that each Council permitted public participation at their Performance and Audit Scrutiny meetings. Therefore, for the purpose of facilitating these Constitutional requirements, it was proposed that public speaking should be permitted prior to the start of the informal discussions to enable any questions/statements to be considered by both Performance and Audit Scrutiny Committees on items 1 – 6 above. However, on this occasion there were no questions/statements from members of the public.

Each report was then considered in the order listed on each authorities agenda.

1. External Assessment of Internal Audit

The Senior Auditor presented the report and Appendix A, which advised Members on the relevant requirements in respect of an external quality assessment of internal audit against the Public Sector Internal Audit Standards. The report covered the form that the assessment would take, how the assessor was chosen, what the assessment involves, what it would tell us, and when the results of the assessment would be reported.

Internal audit within the public sector in the United Kingdom was governed by the Public Sector Internal Audit Standards (the 'Standards'), which had been in place since April 2013 (revised April 2013 and April 2017). The objectives of the Standards were to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

The Standards require that, in order to independently assess conformance with these Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.

Members considered the report and did not raise any issues.

2. Mid-year Internal Audit Progress Report 2017-2018

The Senior Auditor presented the report, which advised Members of the work of the Internal Audit Section for the first half of 2017-2018 (Appendix A), which provided Members with an insight of the variety of corporate projects and activities which were supported through the work of the team. The report also

included an update on progress made against the 2017-2018 Internal Audit Plan previously approved by the Committee in May 2017.

A similar approach to last year's Internal Audit Plan was being undertaken in that as well as continuing to perform the usual statutory fundamental systems audits and other audit responsibilities; Internal Audit was also performing corporate and consultancy style work. This approach recognised that early audit input to activities could often help prevent or bring early resolution to internal control issues, and also brought audit skills and increased available resources on significant corporate projects.

During the year to date, Internal Audit had responded to around 30 requests for financial vetting or other related financial advice including assessments or organisations' financial stability to undertake specified contracts for the councils; and continued to provide advice to service areas on internal controls.

There were no significant risk exposures or control issues arising from the audit work undertaken during the period that needed to be specifically drawn to the attention of the Performance and Audit Scrutiny Committee.

Members considered the report and asked questions on fee earning work, which had decreased and the national fraud exercise in relation to duplicate creditor payments, to which responses were provided.

3. Balanced Scorecards Quarter 2 Performance Report 2017-2018

[Councillors Michael Anderson and Christine Mason arrived at 5.33pm during the consideration of this item. Councillor Colin Noble arrived at 6.06pm during the consideration of this item].

The Assistant Director (Resources and Performance) presented the report, which set out the current West Suffolk Balanced Scorecards, which presented the Quarter 2 performance for 2017-2018. The five balanced scorecards (attached at Appendices A to E) were linked to the Assistant Director Service areas.

Most indicators reported performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance.

It was reported that within Resources and Performance the "*% of non-disputed invoices paid within 30 days*" corporate indicator across both councils showed we had achieved positive results in the second quarter, reporting 94% of invoices paid within 30 days. However, the finance and performance team would continue to work with service areas to try and improve performance against this indicator to achieve the 95% target, with monthly business intelligence reports being sent out with details of all invoices processed.

The report also included additional information requested by members on the number of enforcement cases on hand and the general upward trend of this figure over recent months; and the work being undertaken by the Planning Technical Support team in reducing the number of applications waiting to be validated and the backlog, which had reduced significantly.

Each Assistant Director presented their individual Balanced Scorecard and highlighted key areas for the Committees attention.

Members considered the report in detail and asked a number of questions on each of the Balanced Scorecards. Discussions were held on the % of debt over 90 days; developer loans; small business loans, Flytipping on traveller sites and the trade waste service. In particular discussions were held on:

- Outstanding Debts: The council actively pursued the recovery of debts and each case was treated on its own merits.
- Homelessness: The increase in homelessness was due to a combination of factors, such as the Welfare Reform; affordability of housing and the reduction in support services. Officers on a daily basis looked as what accommodation was available.
- General Data Protection Regulations (GDPR): The Suffolk Association of Local Councils (SALC) was supporting Parish and Town Councils in helping them meet the high standards of data protection for sensitive, personal data. Members suggested the council could also help by including GDPA on the agenda for the next Parish Forum, which officers agreed to pursue.
- Pre-application advice: This service could not be made mandatory as it was a chargeable service. The council was investing and reshaping the service by building pre-application advice into working practices and also looking at holding Developer Forums to create better working relationships with them.
- Flytipping: In responses to a question raised, officers agreed to provide a written response on the general spread of flytipping "hot spots" across West Suffolk.
- Flytipping: Members suggested that the council should encourage private landowners to report cases of Flytipping as it was becoming an issue. It was further suggested that a figure indicating flytipping on private land should also be included in the balanced scorecard.
- Flytipping: In response to a question raised, officers agreed to provide a written response on the number of Flytipping cases which had led to prosecutions.

The Chairman on behalf of the Committee thanked the Assistant Directors for attending and presenting their balanced scorecards and providing comprehensive responses to their questions.

4. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2017**

The Service Manager (Finance and Performance) presented the second quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting in October 2017 the Group reviewed the target risk, the risk level where the Council aimed to be, and agreed a current risk assessment. These assessments formed the revised West Suffolk Risk Register (Appendix 1).

Some individual controls or actions had been updated and those which were not ongoing and had been completed by September 2017 had been removed from the Register. Since the Strategic Risk Register was last reported to the Committee, one new risk had been included "WS23 – Cyber Security, and one risk amended "WS11" to reflect West Suffolk's bid to become a single Council.

With regards to the impact of Brexit, the group would continue to monitor the situation as it developed, amending existing and / or adding new risks where necessary. Any changes would be reported at each meeting of the Committee in the normal manner.

Members considered the report and did not raise any issues.

5. **Work Programme Update**

The Assistant Director (Resources and Performance) presented the report, which provided information on the current status of each Committee's Work Programme for 2018. She informed the Committee of an additional report on the Appointment of External Auditors for the Provision of Housing Benefit Certification Services, which would be presented to the Committee in January 2018.

Members considered the report and did not raise any issues.

6. **Building Control – Improvement Plan**

The Assistant Director (Planning and Regulatory) presented the report, which provided a review of current Building Control performance and the Development Plan for the service.

The report included information on the role of the building control service; challenges and opportunities (competition; staffing; commerciality and marketing; growth and economic cycles; collaboration and partnership working) current performance; operational performance; other public protection activities and development plan. The Assistant Director (Planning and Regulatory) informed the Committee that he would be happy to arrange for members to go on field visits to see first-hand how the team undertook its work.

The Committee considered the report and was pleased to note that the service was moving in the right direction.

The Committee also considered Exempt Appendix 1 attached to the report. However, no reference was made to specific detail and, therefore, this item was not held in private session.

On the conclusion of the informal joint discussions at 6.24pm, Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee withdrew from the Council Chamber to the Training Room to hold their formal meeting.

The Chairman then formally opened the St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee in the Training Room at 6.26pm.

Performance and Audit Scrutiny Committee



Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 29 November 2017** at **6.26pm** in the **Training Room**, District Offices, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Betty Mclatchy
David Roach
Barry Robbins

Andrew Smith
Peter Thompson

Substitutes attending:
Susan Glossop

By Invitation:
Ian Houlder, Portfolio Holder for Resources and Performance
Ivor Mclatchy

173. **Substitutions**

The following substitution was declared:

Councillor Susan Glossop for Councillor Jane Midwood.

174. **Apologies for Absence**

Apologies for absence were received from Councillors Beccy Hopfensperger, Jane Midwood and Karen Richardson.

175. **Minutes**

The minutes of the meeting held on 20 September 2017, were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

176. **Public Participation**

Public participation had been undertaken within the previous informal discussions, and there had been no questions/statements from members of the public.

177. External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/026.

Members considered the report, and there being no decision required, **noted** the contents of the report.

178. Mid-Year Internal Audit Progress Report 2017-2018

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/027.

Members had scrutinised the report and asked questions, to which responses were provided. There being no decision required, the Committee **noted** the contents of the Mid-Year Audit Progress Report 2017-2018.

179. Balanced Scorecards and Quarter 2 Performance (2017-2018)

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/028.

Members had scrutinised the report in detail and asked questions, to which responses were provided. There being no decision required, the Committee **noted** the Council's performance using the Balanced Scorecards for Quarter 2, 2017-2018.

180. West Suffolk Strategic Risk Register Quarterly Monitoring Report - September 2017

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/029.

Members had considered the report, and there being no decision required, **noted** the contents of the Quarter 2 West Suffolk Strategic Risk Register Monitoring Report.

181. Work Programme Update

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/030.

Members considered the report, and there being no decision required, **noted** the contents of the report, including the additional report "Appointment of External Auditors", to be presented to the Committee at its January 2018 meeting.

182. Building Control - Improvement Plan

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/17/031.

Members had scrutinised the report and there being no decision required, the Committee **noted** the contents of the report.

183. Ernst and Young - Annual Audit Letter 2016-2017

The Committee received Report No: PAS/SE/17/032, presented by Mark Hodgson, Associate Partner (Ernst and Young), which updated members on the outcome of the annual audit of the 2016-2017 financial statements by Ernst and Young (EY) as detailed in their Annual Audit Letter 2016-2017, attached as Appendix 1 to the report. The letter was for information, and confirmed the completion of the audit of the 2016-2017 financial statements, and was one of the best audit letters he had issued.

No significant issues were noted by EY, therefore the planned audit fee of £43,767 for the year remained unchanged. Work on the certification of claims and returns was due for completion in November 2017 and the results of this work, along with the final fee would be reported in the Annual Certification Report.

The Committee thanked EY and officers for their hard work in completing an outstanding audit for 2016-2017, which was very good news.

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

184. Financial Performance Report (Revenue and Capital) Quarter (2017-2018)

The Committee received Report No: PAS/SE/17/033, which set out the financial performance for the second quarter of 2017-2018 and forecasted outturn position for 2017-2018.

Attached at Appendix A and B to the report were details of the Council's revenue performance and year end forecasted outturn position. The current forecast position for the year end was expected to be a benefit of £127,000 to the council's General Fund, which equated to just 0.17% of the council's gross expenditure. Explanations of the main year end forecast under / overspends was set out within the table at paragraph 1.2.3. Members were requested to note the current position and the significant variances over £25,000 (paragraph 1.2.3)

Appendix C to the report set out the Council's capital financial position for the six months of 2017-2018, which showed expenditure of £4,092,000. Finally a summary of the earmarked reserves was attached at Appendix D, along with forecast year end position for 2017-2018.

Budget holders would continue to work with Resources Business Partners and Business Support Advisors and an updated outturn position would be presented to the Committee on a quarterly basis.

The Committee scrutinised the report and asked questions to which responses were provided. There being no decision required, the Committee **note** the Quarter 2 performance and the 2017-2018 year end forecast financial position.

185. Delivering a Sustainable Medium Term Financial Strategy 2018-2021

The Committee received Report No: PAS/SE/17/034, which updated members on progress made towards delivering a balanced budget for 2018-2019 and sustainable budget in the medium term.

St Edmundsbury continued to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending (Revenue Support Grant (RSG)) from central government, as evidenced by the proposed four year government settlement. It was clear that even without the proposed reductions in RSG, the council had underlying net cost pressures which it needed to address.

The Medium Term Financial Strategy (MTFS) 2017-2021 was approved by Council on 21 February 2017, which set out the current and future financial pressures and challenges facing St Edmundsbury.

The budget gap for years 2018-2019 to 2020-2021 were projected in Table 1 of the report. The current budget assumptions for 2018-2019 and across the MTFS were detailed in Appendix A.

The Performance and Audit Scrutiny Committee was asked to support and recommend to Cabinet the inclusion of proposals as set out in Section 5 and Table 2 of the report in order to progress securing a balanced budget for 2018-2019 and sustainable budget in the medium term.

Members scrutinised the report in detail and asked questions to which officers duly responded. Discussions held focused on the budget proposals set out in table 2 of the report. In particular, the emergency Winter accommodation costs; resources to address anti-social behaviour issues in Bury Town centre; and Land Charges.

The Committee **noted** the budget assumptions, budget timetable and progress made to date on delivering a balanced budget for 2018-2019 and sustainable budget in the medium term.

Councillor Patricia Warby moved the recommendation, this was duly seconded by Councillor Betty Mclatchy and with the vote being unanimous, it was:

RECOMMENDED

That the proposals, as detailed in Section 5 and Table 2 at paragraph 5.1 of Report No: PAS/SE/17/034 be included in securing a balanced budget 2018-2019.

186. **Mid-Year Treasury Management Report and Investment Activity (April - September 2017)**

The Committee received Report No: TMS/SE/17/004, which had been considered by the Treasury Management Sub-Committee on 20 November 2017. The Senior Business Partner provided a verbal update on the Sub-Committee's consideration of the report, which:

- (a) Provided a summary of investment activities for the first six months of 2017-2018;
- (b) Requested a revision to the "Red" % of portfolio limit from 35% to 50%, which was due to the majority of banks now having a Sector Colour Code rating of "Red" (there were no longer any Purple or Blue UK banks and only two Orange UK banks). The maximum investment with any one "Red" institution would remain at £11m.

The Sub-Committee had scrutinised the report and asked a number of questions relating to the investment activity and the requested revision to the portfolio limit, to which officers duly responded.

The Performance and Audit Scrutiny Committee considered the report and asked questions to which responses were provided.

Councillor Andrew Smith moved the recommendation, this was duly seconded by Councillor Betty Mclatchy and with the vote being unanimous, it was:

RECOMMENDED

That subject to the approval of Council, the Mid-Year Treasury Management Report 2017-2018, including the change to the Annual Treasury Management and Investment Strategy and associated Code of Practice, attached as Appendix 1 to Report No: TMS/SE/17/004, be approved.

187. **Exclusion of the Press and Public**

See Minute Number 188 below.

188. **Exempt Appendix 1: Building Control - Improvement Plan (para 3)**

The Committee considered Exempt Appendix 1 to Report No: PAS/SE/17/031. However, no reference was made to specific detail and, therefore, this item was not held in private session.

The Meeting concluded at 6.42 pm

Signed by:

Chairman