
Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

**Notes of Informal Discussions held on Wednesday 31 January 2018 at
5.00pm in Conference Chamber West, West Suffolk House,
Western Way, Bury St Edmunds**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillors Sarah Broughton, Jane Midwood, Andrew Smith, Peter Thompson, and Patricia Warby.

Forest Heath District Council (FHDC)

Councillor Louis Busuttil
(Chairman of the informal discussions)

Councillors Chris Barker, John Bloodworth, Rona Burt, Colin Noble and Peter Ridgwell.

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

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

- (1) Balanced Scorecards and Quarter 3 Performance Report 2017-2018;
- (2) West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2017;
- (3) Work Programme Update.

All Members of Forest Heath District Council's Performance and Audit Scrutiny Committee had been invited to attend West Suffolk House, Bury St Edmunds to enable joint informal discussions on the above reports to take place between the two authorities.

The Chairman of St Edmundsbury's Performance and Audit Scrutiny Committee welcomed all those present to the West Suffolk House, Bury St Edmunds 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 Forest Heath'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 – 3 above. On this occasion however, there were no questions/statements from members of the public.

Each report was then considered in the order listed on each authority's agenda.

1. **Balanced Scorecards Quarter 3 Performance Report 2017-2018**

The Assistant Director (Resources and Performance) introduced the report, which set out the current West Suffolk Balanced Scorecards, being used to measure the Council's performance for 2017-2018 and an overview of performance against those indicators for the third quarter of 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. Other KPIs reported a data value only in order to track performance over time.

It was reported that within the Resources and Performance, the "*% of non-disputed invoice paid within 30 days*" corporate indicator across both councils showed we had achieved positive results in the third quarter, reporting 94.15% 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 within details of all invoices processed.

Each Assistant Director then 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 Universal Credit; recruitment and pay; health and safety incidents; and the council's complaints process. In particular discussions were held on:

- Appendix B, (Families and Communities), "household numbers in bed and breakfast", and sought clarification on the distinction made between bed and breakfast and temporary accommodation.
- Appendix E (Operations), blue bin recycling and the impact on China not accepting certain types of recyclable material, to which officers provided a comprehensive response, and agreed to continue promoting to residents the importance of recycling through the blue bin service and not placing recyclables in the black bins.

2. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2017**

The Service Manager (Finance and Performance) presented the third quarter 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 December 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 December 2017 had been removed from the Register. There had been no new risks or major amendments made to any existing risks or any existing risks closed since the Strategic Risk Register was last reported to the Committee.

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 scrutinised the report and asked questions. Discussions were held on "Risk WS8(c) – Failure to deliver housing agenda", and officers provided an explanation on the national challenges being faced in providing housing in the area.

3. **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 2018-2019. She informed the Committee on an additional report on Accounting Policies, which would be presented to the Committee in May 2018.

Members considered its forward work programme for 2018-2019, and Councillor Sarah Broughton suggested that a follow-up report on the Building Control Improvement Plan should be brought back to the Committee in November 2018, which was supported by all members.

On the conclusion of the informal joint discussions at 5.40pm, Members of Forest Heath District Council's Performance and Audit Scrutiny Committee withdrew from Conference Chamber West to Conference Chamber East to hold their formal meeting.

The Chairman then formally opened the St Edmundsbury Borough Council Performance and Audit Scrutiny Committee in Conference Chamber West at 5.45pm.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 31 January 2018** at **5.45pm** in **Conference Chamber West, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Jane Midwood
Karen Richardson

Andrew Smith
Peter Thompson

By Invitation:

Ian Houlder, Portfolio Holder for Resources and Performance

189. **Substitutions**

There were no substitutes declared.

190. **Apologies for Absence**

Apologies for absence were received from Councillors Betty Mclatchy and David Roach.

Councillor Beccy Hopfensperger was also unable to attend.

191. **Minutes**

The minutes of the meeting held on 29 November 2017 were unanimously accepted by the Committee as an accurate record of the meeting and signed by the Chairman.

192. **Public Participation**

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

193. **Balanced Scorecards Quarter 3 Performance 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/18/001.

Members had scrutinised the report in detail and asked questions, to which responses were provided. With there being no decision required, the Committee **noted** the Council's performance using the Balanced Scorecards for Quarter 3, 2017-2018.

194. **West Suffolk Strategic Risk Register Quarterly Monitoring Report - December 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/18/002.

Members had considered the report and with there being no decision required, **noted** the contents of the Quarter 3 West Suffolk Strategic Risk Monitoring Report.

195. **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/18/003.

Members considered the report and with their being no decision required **noted** the contents of the report subject to the inclusion of the following reports to its forward work programme:

- 1) Accounting Policies – 31 May 2018; and
- 2) Building Control – Improvement Plan (Follow-Up) - November 2018.

196. **Financial Performance Report (Revenue and Capital) Quarter 3 - 2017-2018**

The Committee received Report No: PAS/SE/18/004, which set out the financial performance for the third quarter of 2017-2018 and forecasted outturn position for 2017-2018.

Attached at Appendix A and B to the report was 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 £174,000 to the council's General Fund, which equated to just 0.23% of the council's gross expenditure. Explanations of the main year end forecast over / (under) spends was set out in the report at paragraph 1.2.3.

Appendix C to the report set out the Council's capital financial position for the first nine months of 2017-2018, which showed expenditure of £12,785,000. Finally, a summary of earmarked reserves was attached at Appendix D, along with the forecast year end position for 2017-2018.

The Resources Team would continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position would be presented to the Committee on a quarterly basis.

The Committee scrutinised the report in detail and asked questions to which comprehensive responses were provided. Discussions were held on Appendix C, in particular clarification was sought on a number of items listed in the capital budget, and questioned whether it was exclusive to assets owned by the council, to which responses were provided.

There being no decision required, the Committee **noted** the Quarter 3 financial performance and the 2017-2018 year end forecast financial position.

197. **Delivering a Sustainable Medium Term Financial Strategy 2018-2021**

[Councillor Karen Richardson arrived at 5.56pm during the consideration of this item and subsequent vote]

The Committee received Report No: PAS/SE/18/005, 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) 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. This included costs rising faster than income inflation.

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.

Attached at Appendix A to the report was the current budget assumptions for 2018-2019 and across the MTFS.

The report also included information on the methodology for securing a balanced budget 2018-2021 and garden waste subscriptions following a motion raised at Council in December 2017. The motion proposed a change to the current charging schedule for residents subscribing to the service from 1 April 2018, moving from a single annual charge of £40 to a tiered charging system whereby the amount payable reduced monthly.

The Performance and Audit Scrutiny Committee was asked to recommend to Cabinet the inclusion of proposals as set out in Section 6 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 and discussed the garden waste subscription and noted work would commence later in the year to review the scheme through a scrutiny task and finish group, which would provide an opportunity to review the garden waste collection scheme in its entirety and the charging regime proposed by Councillor Nettleton. However, the Chairman questioned what the Committee's role would be in reviewing the scheme alongside the Overview and Scrutiny Committee, particularly the financial element. In response officers agreed to look further at how best to progress the review.

The Committee **noted** the budget assumptions outlined in Appendix A and the budget timetable, along with 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 Andrew Smith and with the vote being unanimous, it was:

RECOMMENDED

That the proposals, as detailed in Section 6 and Table 2 at paragraph 6.1 of Report No: PAS/SE/18/005, be included in securing a balanced budget for 2018-2019.

198. **Ernst and Young - Certification of Claims and Returns Annual Report 2016-2017**

The Committee received Report No: PAS/SE/18/006, which updated members on the outcome of the annual certification of grant claims by Ernst and Young (EY) as detailed in their Certification of Claims and Returns Annual Report 2016-2017, attached as Appendix A.

Mark Hodgson (Associate Partner), accompanied by Mark Russell from EY presented the report, which summarised the results of the certification work that had been undertaken by EY staff as part of the annual audit of grant claims to government departments and also set out the scale fee for carrying out this work.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns, and to prescribe scales of fees for this work, was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2016-2017, these arrangements required only the certification of the housing benefits subsidy claim with a total value of £28.532 million.

Mark Hodgson drew relevant details from the report to Members' attention, and explained the certification work found errors on the claim and these errors had been corrected by officers. A qualification letter setting out further errors and uncertainties was also reported to the Department for Works and Pensions (DWP). The relevant officers of the Council and Anglia Revenues Partnership (ARP) had agreed the qualifications in respect of the 2016-2017 certification work, as detailed in Appendix A. ARP had taken action to address the issues for 2017-2018.

He also informed Members that the PSAA determined a scale fee each year for the audit of claims and returns. For 2016-2017, the indicative scale fee for the audit of the Housing benefits subsidy claim was £22,583 and the actual fee would be unchanged from this level. For 2017-2018, the indicative scale fee had been set at £24,722.

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

199. **Ernst and Young - External Audit Plan and Fees 2017-2018**

The Committee received Report No: PAS/SE/18/007, which set out how EY intended to carry out their responsibilities as the Council's external auditors (Appendix A). The purpose of the report was to provide the Committee with a basis to review EY's proposed approach and scope for the 2017-2018 audit along with the planned fees to complete the work as set out in the Audit Plan.

Mark Hodgson (Associate Partner), accompanied by Mark Russell from EY presented this report, which summarised EY's assessment of the key risks which drive the development of an effective audit of the Council, and outlined their planned audit strategy in response to those risks. Officers would be working with EY over the coming months to ensure that these risks were managed and where possible, come to an agreement over the treatment prior to the new timetable in issuing the Annual Governance Report and Audit Opinion, which was now due to be issued by EY by July 2018 (previously issued by the end of September each year).

Mark Hodgson drew member's attention to the financial statement risks; the level of materiality set; the value for money conclusion; EY's audit process and strategy; and the planned for fee 2017-2018 (£68,489) set out on page 29 of Appendix A.

Finally, the Assistant Director (Resources and Performance), provided assurances to the Committee around the work the team were doing around accelerated year end and the new timetable for the signing off of the accounts. It was agreed that a report would be circulate to summarise the areas that the finance team were working through and to provide this assurance to members of the Committee. She also went on to confirm that a paper would be presented to the Committee on 31 May 2018, outlining the changes to the Council's accounting policies as a result of the revised deadlines for inclusion in the draft accounts.

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

200. **Decision Relating to Complaint to Local Government Ombudsman**

The Committee received Report No: PAS/SE/18/008, which set out a complaint which had been referred to the Local Government Ombudsman in relation to the Local Planning Authority failing to notify Mr X about two planning applications and failing to keep Mr X updated on some of the actions it was taking. The Assistant Director (Planning and Regulatory Services) informed the Committee that to date, Mr X had not taken up the offer of the compensation payment.

The Committee asked questions in relation to the complex history of the complaint; and remedies which had been put in place, to which response were provided by the Assistant Director.

There being no decision required, the Committee **noted** the action taken by the Assistant Director (Planning and Regulatory Services) to remedy the findings of the Local Government Ombudsman (LGO) and the recommended

payment of £400.00 in recognition of the uncertainty and outrage caused to him and his family.

201. **Treasury Management Report 2017-2018 and Investment Activity (April - December 2017)**

The Committee received Report No: TMS/SE/18/001, which had been considered by the Treasury Management Sub-Committee on 22 January 2018. The Assistant Director (Resources and Performance) provided a verbal update on the Sub-Committee's consideration of the report which presented the Council's third quarter Treasury Management Report summarising the investment activities for the period to 31 December 2017.

It was reported that the total amount of budgeted income from investments for the period 1 April to 31 December 2017 was £189,750. Interest earned during the first nine months of the financial year totalled £226,424 an over-achievement of interest of £36,677. The over-achievement of interest was primarily due to higher cash balances being available for investment than expected. These increase was mainly due to timing differences in the collection and payment of local taxes and non-domestic rates (NNDR) and other revenue work streams, and underspends relating to the budgeted capital programme. The reduced average rate of return was due to the reduction in the Bank of England base rate and resulting reduction of interest rates offered by institutions.

As at 31 December 2017, the Council held £44,750,000 in investments, and had no borrowings or temporary loans.

The Sub-Committee had scrutinised the investment activity for 1 April to 31 December 2016, and asked questions to which officers duly responded.

The Performance and Audit Scrutiny Committee considered the report, and did not raise any issues. Councillor Patricia Warby moved the recommendation, this was duly seconded by Councillor Karen Richardson, and with the vote being unanimous, it was

RECOMMENDED

That subject to the approval of Council, the Treasury Management Report 2017-2018, for the period 1 April to 31 December 2017, attached at Appendix 1 to Report No: TMS/SE/18/001, be approved.

202. **Treasury Management Policy Statement and Investment Strategy 2018-2019 and Treasury Management Code of Practice**

The Committee received Report No: TMS/SE/18/002, which had been considered by the Treasury Management Sub-Committee on 22 January 2018. The Assistant Director (Resources and Performance) provided a verbal update on the Sub-Committee's consideration of the report which sought approval of the Treasury Management Policy Statement and Investment Strategy 2018-2019 (including Treasury related Prudential Indicators) and Treasury Management Code of Practice.

The proposed Treasury Management Policy Statement and Investment Strategy 2018-2019 was attached as Appendix 1 to Report No: TMS/SE/18/002, along with the Treasury Management Code of Practice 2018-2019 at Appendix 2.

In December 2017, CIPFA issued an updated Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Note, and consequently the new 2018-2019 Strategy and the Code of Practice had been updated in line with these changes. The main changes made to the Strategy were:

- The four clauses to be formally adopted had been update; and
- An additional section had been added for "investments that are not part of treasury management activity".

The report also included information on interest rate projections and counterparty ratings and advised that the final prudential indicators would be updated as part of the Medium Term Financial Strategy, and approved by Council in February 2018.

The Sub-Committee scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided.

The Committee considered the report and in particular discussed the interest rate projections and the Bank of England's forecasted rate of 1%. In responses officers advised that they were comfortable with the revised rates projected in the new Strategy.

It was proposed by Councillor Andrew Smith, seconded by Councillor Karen Richardson and with the vote being unanimous, it was

RECOMMENDED

That:

- 1) The updated (December 2017) Treasury Management in the Public Services Code of Practice and Cross-Sectional Guidance Notes, be adopted.**
- 2) The Treasury Management Policy Statement and Investment Strategy 2018-2019, attached as Appendix 1 to Report No: TMS/SE/18/002, be approved.**
- 3) The Treasury Management Code of Practice 2018-2019, attached as Appendix 2 to Report No: TMS/SE/18/002, be approved.**

The Meeting concluded at 6.18pm

Signed by:

Chairman

