

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 25 July 2018** at **6.20 pm** in **Conference Chamber West, West Suffolk House, Bury St Edmunds, IP33 3YU**

Present: **Councillors**

Chairman Louis Busuttil
Vice Chairman Colin Noble

Chris Barker
John Bloodworth
Rona Burt

Simon Cole
Peter Ridgwell

1. **Substitutes**

There were no substitutes declared.

2. **Apologies for Absence**

Apologies for absence were received from Councillors Michael Anderson, Christine Mason and Reg Silvester.

3. **Minutes**

The minutes of the meeting held on 31 May 2018, were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

4. **Public Participation**

There were no questions/statements from members of the public.

5. **Ernst and Young - 2017-2018 ISA 260 Annual Results Report to those charged with Governance**

The Committee received Report No: PAS/FH/18/025, which presented the results of Ernst and Young's (EY) audit of the financial statements for 2017-2018. The report set out issues they were formally required to report on to those charged with governance.

The report also included the results of the work that EY had undertaken to assess the Council's arrangements to secure value for money in the use of its resources.

The Council's unaudited 2017-2018 Statement of Accounts, signed by the Council's Chief Finance Officer (Section 151 Officer) on 31 May 2018, had

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been updated to reflect adjustments recommended by EY from their audit work. It should be noted by Members that these adjustments were all immaterial to the overall financial position of the Council and were in most cases, merely presentational changes.

A copy of the Audit Committee summary was attached at Appendix A, and were presented to the Committee by Mark Hodgson (Associate Partner) and Mark Russell (Manager) from EY. Also attached at Appendix B to the report was a Letter of Representation, on behalf of the Council in accordance with the audit of the financial statement for St Edmundsbury Borough Council for the year ended 31 March 2018.

Mr Hodgson confirmed that all work on the audit of the Councils 2017-2018 financial statement had been concluded and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion on the Financial Statements for 2017-2018 this evening (25 July 2018) prior to the statutory deadline of 31 July 2018, stating the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

However, he wished to draw the Committee's attention to five key areas:

- 1) On page 5: Outstanding audit work had been completed by 16 July 2018, and there were no further issues to report;
- 2) Pages 9 to 13 (Significant risk) – Audit risks in audit plan – assurances had been gained, there were no matters to report;
- 3) Page 21 (Audit differences) – There had been one adjusted audit error relating to the pension fund and liabilities, which was purely due to timing issues. There were no unadjusted audit errors to report;
- 4) Pages 23 to 25 (Value for Money) – One risk had been identified relating to governance arrangements moving to a single council, however due process had been followed;
- 5) Page 24 (Value for Money) – An explanation was provided on the new chart setting out the "assessment of reserves position to 2021".

He wished to thank the Assistant Director (Resources and Performance) and her team who had been helpful and instrumental in making this a very smooth audit for EY.

Members asked a number of questions in relation to the report, to which Mr Hodgson duly responded.

In particular the Chairman questioned the Solar Farm audit fee, and asked whether this would be an annual or a one-off fee. In response Mr Hodgson explained to carry out the audit of the solar farm valuation it needed an expert with specialist knowledge. EY would also need assurance over energy prices. Mr Hodgson was hopeful that there would be a reduced audit fee over time.

The Chairman, on behalf of the Committee wished to thank the Assistant Director (Resources and Performance) and the Finance Team for their outstanding work and also wished to thank EY for their audit work, and presenting a positive report.

Councillor Simon Cole moved the recommendation, this was duly seconded by Councillor John Bloodworth, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The unqualified opinion on the Financial Statements for 2017-2018 (as set out in the Audit Results Report – Appendix A) to Report No: PAS/FH/18/025 be noted.
- 2) The Value for Money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Appendix A) issued by the Auditor be noted.
- 3) The Letter of Representation on behalf of the Council, attached at Appendix B to Report No: PAS/FH/18/025, be approved before the Audit Director issues his opinion and conclusion.
- 4) The Chief Financial Officer, in consultation with the Chairman of the Performance and Audit Scrutiny Committee be given delegated authority to conclude the signing of the accounts.

6. West Suffolk Annual Governance Statement 2017-2018

The Committee received Report No: PAS/FH/18/026, which sought member's approval of the draft Annual Governance Statement for 2017-2018, attached as Appendix A. The draft Annual Governance Statement had been produced following completion of the annual review of the council's governance arrangements.

The Annual Governance Statement provided stakeholders with assurance that the Council had operated within the law and that they had met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanied the Statement of Accounts.

The document had been prepared by the Officer Governance Group and was presented as a joint statement for Forest Heath District Council and St Edmundsbury Borough Council to reflect both councils working together and sharing services across West Suffolk.

The Assistant Director (Resources and Performance) informed the Committee that the reporting format of the West Suffolk Annual Governance Statement had slightly changed from previous years and was more streamlined. However, she wished to draw the Committee's attention to one key area set out in Appendix A:

- 1) Page 14 – Section 5 - there were no significant governance issues to disclose for 2017-2018.

The Committee was asked to review and approve the draft Annual Governance Statement prior to it being signed by the Chief Executive and Leaders of the Council.

The Committee considered the draft West Suffolk Annual Governance Statement for 2017-2018, and did not raise any issues.

Councillor Colin Noble then moved the recommendation, this was duly seconded by Councillor Rona Burt, and with the vote being unanimous, it was:

RESOLVED

That the West Suffolk Annual Governance Statement for 2017-2018, attached as Appendix A to Report No: PAS/FH/18/026 be approved for signing by the Chief Executive and the Leader of the Council.

7. 2017-2018 Statement of Accounts

The Committee received Report No: PAS/FH/18/027, which sought member's approval of the 2017-2018 Statement of Accounts, attached as Appendix A, in accordance with powers delegated to it under the Council's Constitution.

In order to meet the new deadlines, EY had undertaken early audit work prior to the completion of the accounts in February and March 2018. With the main audit commencing in June 2018. The results of EY's review of the accounts were provided in the Annual Results Report, which was included on the Committee's agenda (PAS/FH/18/025). The attached Statement of Accounts (Appendix A) had been amended as appropriate to take on board issues raised by the audit process up to the date distribution.

EY had confirmed that the audit of Forest Heath District Council had been concluded and would be issuing an unqualified opinion on the financial statements and value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources this evening (25 July 2018). This meant the Committee was in a position to sign the 2017-2018 Statement of Accounts off.

The covering report summarised financial highlights 2017-2018; revenue and expenditure; capital expenditure; usable reserves; pensions fund; annual governance statement; and conclusions.

The Assistant Director (Resources and Performance) drew the Committee's attention to a couple of key areas set out in Appendix A:

- 1) There had been no change to the general fund budget since it was reported to the Committee on 31 May 2018.
- 2) Page 109 – Balance sheet: Long term assets had reduced linked to the accounting changes in respect of Greenheath Energy Limited (100% owned company by Forest Heath District Council) and the inter-

company loan that had now been resolved. Further details were set out in the accounts themselves.

Finally, she wished to thank the Finance Team for all their work involved in pulling the accounts together to meet the new reporting deadline, and also thanked EY.

The Committee scrutinised the draft accounts and asked questions on the CDCM maximum investment in overseas banks, and whether under “future assumptions” should Barley Homes Group Limited be included, to which officers provided comprehensive responses.

The Committee wished to convey its thanks and commended the Assistant Director (Resources and Performance) and her team in the work involved in closing the accounts.

Councillor Rona Burt moved the recommendation, this was duly seconded by Councillor Colin Noble, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The 2017-2018 Statement of Accounts, attached as Appendix A to Report No: PAS/FH/18/027 be approved in accordance with the powers delegated to it under the Council’s Constitution.
- 2) The Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2017-2018 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

8. Annual Treasury Management Report 2017-2018 and Investment Activity (April to June 2018)

The Service Manager (Finance and Performance) presented Report No: PAS/FH/18/028, which:

- (a) Presented the Council’s Annual Treasury Management Report, summarising the investment activities for the year 2017-2018; and
- (b) Provided a summary of the investment activities for the first three months of the 2018-2019 financial year.

(a) Annual Treasury Management Report 2017-2018

The Council’s Annual Treasury Management Report for 2017-2018 was attached as Attachment 1 to Report No: PAS/FH/18/028. The report included tables which summarised the interest earned during 2017-2018 on the various treasury investments held by the Council; investment activity during the year; investments held as at 31 March 2018, as well

as information on market activities; borrowings; temporary loans; and average rate of return.

The budgeted income from investments in 2017/2018 was £181,000 (average rate of return of 0.75%). The interest actually earned during the year totalled £118,328 (average rate of return of 0.71%). This was an under achievement in interest of £62,671 (an under achievement of 0.04% on the average rate of return).

The under achievement of interest earned was primarily due to reduced funds available for investment following the purchase of the Solar Farm at Toggam Farm where internal funds were being used in the short term to save on external borrowing costs. This combined with the continuing low rates of return offered by our counterparties had resulted in this under achievement.

The Committee scrutinised the Annual Treasury Management Report 2017-2018, and did not raise any questions.

It was then proposed by Councillor Simon Cole, seconded by Councillor John Bloodworth, and with the vote being unanimous, it was:

RECOMMENDED:

That, subject to the approval of Council, the Annual Treasury Management Report for 2017-2018, attached as Attachment 1 to Report No: PAS/FH/18/028, be approved.

(b) Investment Activity 1 April to 30 June 2018

The total amount invested at 1 April 2018 was £16.005m and at 30 June 2018 it was £19.005m. The increase in balances over the period was due primarily to timing differences in respect of collection of local taxes; Council Tax and Non-Domestic Rates and payments of precepts i.e. to Suffolk County Council, Suffolk Police and central government.

The 2018-2019 Annual Treasury Management and Investment Strategy Statements sets out the Council's projections for the current financial year. The budget for investment income in 2018-2019 was £224,000 which was based on a 0.75% target average rate of return on investments.

At the end of June 2018, interest earned during the first quarter amounted to £29,440 (average rate of return 0.66%) against a profiled budget of £56,000, creating a budgetary deficit of £26,559. The deficit was due to lower cash balances as a result of rephrasing of some income generating projects.

The report also included for the 2018-2019 budget new assumptions on borrowing for capital projects included within it. The borrowing was based around seven specific projects:

- West Suffolk Operational Hub

- Mildenhall Hub
- Barley Homes – Loan facility
- Investing in our Growth Agenda Fund

There was also the long-standing £4.0m loan relating to the Newmarket Leisure Centre, and internal borrowing relating to the purchase of the Toggam Solar Farm.

The report included a summary of the capital borrowing budget for 2018-2019 including carry-forward amounts, and a summary of capital borrowing for quarter one.

As at the end of quarter one, there had been no requirement to borrow externally over and above the £4.0m Barclays loan. Therefore the only interest payable in quarter one was the £169,600 relating to this.

The Committee scrutinised the Investment Activity for 1 April 2018 to 30 June 2018, and did not raise any questions.

There being no decision required, the Sub-Committee **noted** the quarter one investment activity.

The Meeting concluded at 6.48pm

Signed by:

Chairman
