

# Informal Joint Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title:</b>	<b>Agenda</b>						
<b>Date:</b>	<b>Thursday 27 September 2018</b>						
<b>Time:</b>	<b>5.00 pm</b>						
<b>Venue:</b>	<b>Conference Chamber West West Suffolk House</b> Western Way Bury St Edmunds						
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Louis Busuttil</p> <p style="text-align: center;"><b>Vice Chairman</b> Colin Noble</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><u>Conservative Members (8)</u></td> <td style="width: 33%;">Michael Anderson Chris Barker John Bloodworth Rona Burt</td> <td style="width: 33%;">Louis Busuttil Simon Cole Christine Mason Colin Noble</td> </tr> <tr> <td><u>UKIP (2)</u></td> <td>Peter Ridgwell</td> <td>Reg Silvester</td> </tr> </table>	<u>Conservative Members (8)</u>	Michael Anderson Chris Barker John Bloodworth Rona Burt	Louis Busuttil Simon Cole Christine Mason Colin Noble	<u>UKIP (2)</u>	Peter Ridgwell	Reg Silvester
<u>Conservative Members (8)</u>	Michael Anderson Chris Barker John Bloodworth Rona Burt	Louis Busuttil Simon Cole Christine Mason Colin Noble					
<u>UKIP (2)</u>	Peter Ridgwell	Reg Silvester					
<b>Substitutes:</b>	Named substitutes are not appointed						
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.						
<b>Quorum:</b>	Three Members						
<b>Committee administrator:</b>	<b>Christine Brain</b> Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:christine.brain@westsuffolk.gov.uk">christine.brain@westsuffolk.gov.uk</a>						

<b>5.00pm</b>	Informal joint discussions with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on the four items listed under Items 5 to 8 inclusive, to be held in <b>Conference Chamber West.</b>
<b>5.15pm</b>	The formal meeting of the Performance and Audit Scrutiny Committee will commence immediately following the conclusion of the informal joint discussions in <b>Conference Chamber West.</b>

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee will be in attendance to enable informal joint discussions on the reports listed in Items 5 to 8 to take place between the two authorities:

**COUNCILLORS**

Conservative Members (9)	Sarah Broughton Clive Pollington Andrew Smith	Beccy Hopfensperger Karen Richardson Peter Thompson	Jane Midwood David Roach Patricia Warby
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UKIP Member (1) Barry Robbins

**SUBSTITUTES**

Conservative Members (3)	Mary Evans	Elaine McManus	Vacancy
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# Public Information

<b>Venue:</b>	<b>West Suffolk House</b> Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 763233 Email: <a href="mailto:democratic.services@westsuffolk.gov.uk">democratic.services@westsuffolk.gov.uk</a> Web: <a href="http://www.westsuffolk.gov.uk">www.westsuffolk.gov.uk</a>
<b>Access to agenda and reports before the meeting:</b>	Copies of the agenda and reports are open for public inspection at the above address at least five clear days before the meeting. They are also available to view on our website.	
<b>Attendance at meetings:</b>	The Borough Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public.	
<b>Public speaking:</b>	<p>Members of the public who live or work in the Borough are invited to put one question or statement of not more than three minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within three minutes, the person who asked the question may ask a supplementary question that arises from the reply.</p> <p>A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.</p> <p>There is an overall time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.</p>	
<b>Disabled access:</b>	West Suffolk House has facilities for people with mobility impairments including a lift and wheelchair accessible WCs. However, in the event of an emergency use of the lifts is restricted for health and safety reasons. Visitor parking is at the car park at the front of the building and there are a number of accessible spaces.	
<b>Induction loop:</b>	An Induction loop is available for meetings held in the Conference Chamber.	
<b>Recording of meetings:</b>	<p>The Council may record this meeting and permits members of the public and media to record or broadcast it as well (when the media and public are not lawfully excluded).</p> <p>Any member of the public who attends a meeting and objects to being filmed should advise the Committee Administrator who will instruct that they are not included in the filming.</p>	
<b>Personal Information</b>	<p>Any personal information processed by Forest Heath District Council or St Edmundsbury Borough Council arising from a request to speak at a public meeting under the Localism Act 2011, will be protected in accordance with the Data Protection Act 2018. For more information on how we do this and your rights in regards to your personal information and how to access it, visit our website:  <a href="https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm">https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm</a> or call Customer Services: 01284 763233 and ask to speak to the Data Protection Officer.</p>	

# Agenda

## Procedural Matters

### Part 1(A) - Public

- |           |   |  |                |
|-----------|---|--|----------------|
| <b>1.</b> | <b>Substitutes</b>  |  |                |
| <b>2.</b> | <b>Apologies for Absence</b>  |  |                |
| <b>3.</b> | <b>Minutes</b>  |  | <b>1 - 16</b>  |
|           | To confirm the minutes of the meetings held on 25 July 2018 (copies attached).  |  |                |
| <b>4.</b> | <b>Public Participation</b>   |  |                |
|           | Members of the public who live or work in Forest Heath are invited to put one question/statement of not more than 3 minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within 3 minutes, the person who asked the question may ask a supplementary question that arises from the reply. |  |                |
|           | A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start. There is an overall limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.  |  |                |
|           | <i>(Following the informal discussions held with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on Items 5 to 8 below, Members are reminded that no further debate shall take place. However, Members are requested to either formally note/resolve/recommend Items 5 to 8 below).</i>   |  |                |
| <b>5.</b> | <b>Ernst and Young - Presentation of Annual Audit Letter 2017-2018</b>  |  | <b>17 - 72</b> |
|           | Report No: <b>PAS/FH/18/029</b><br><i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/18/026)</i>   |  |                |
| <b>6.</b> | <b>Annual Corporate Environmental Performance 2017-2018</b>   |  | <b>73 - 92</b> |
|           | Report No: <b>PAS/FH/18/030</b><br><i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/18/027)</i>   |  |                |
| <b>7.</b> | <b>Work Programme Update</b>  |  | <b>93 - 94</b> |
|           | Report No: <b>PAS/FH/18/031</b><br><i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/18/028)</i>   |  |                |

*(The following report is to be considered as part of the function delegated to the Performance and Audit Scrutiny Committee relating to the new West Suffolk Council).*

- 8. Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan** **95 - 100**
- Report No: **PAS/FH/18/032**  
*(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/18/029)*

**Part 1(B) – Public**

- 9. Decision Relating to Complaint to Local Government Ombudsman Report** **101 - 112**
- Report No: **PAS/FH/18/033**

**Part 2 – Exempt**

**NONE**

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# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

**Notes of Informal Discussions held on Wednesday 25 July 2018  
at 5.30pm in Conference Chamber West, West Suffolk House,  
Bury St Edmunds**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillor Sarah Broughton, Beccy Hopfensperger, Clive Pollington,  
Karen Richardson, David Roach, Andrew Smith and Patricia Warby.

Forest Heath District Council (FHDC)

Councillor Louis Busuttill  
(Chairman of the informal discussions)

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

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

Prior to the formal meeting, at 5.30pm informal discussions took place on the  
following nine items:

- (1) 2018-2019 Performance Report – Quarter 1;
- (2) West Suffolk Strategic Risk Register Monitoring Report – June 2018;
- (3) Work Programme Update;
- (4) Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and  
Medium Term Plan; and
- (5) Appointment of Auditors for West Suffolk Council.

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 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 – 5 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 authorities agenda.

### 1. **2018-2019 Performance Report – Quarter 1**

The Service Manager (Finance and Performance) presented the new formatted report, which set out the performance for the first quarter and forecasted financial outturn position for 2018-2019.

In previous years Performance Indicators and Budget Monitoring figures were reported separately. It was now the intention to combine these reports in order to give a clearer indications of the councils' overall performance.

This report showed the current Performance Indicators for the first quarter of 2018-2019, as set out in the following appendices, attached to the report:

- Appendix A: 2018-2019 Performance Indicators, Commentary;
- Appendices B to E: Performance Indicators by Strategic Priority;
- Appendices F to J: Financial Performance for Forest Heath District Council
- Appendices K to O: Financial Performance for St Edmundsbury Borough Council.

Each Assistant Director then presented their performance indicators set out either in the commentary section or Appendices A to E, and highlighted key areas for the Committees attention.

Members considered the report in detail and asked questions of the Assistant Directors on their indicators, to which comprehensive responses were provided.

Discussions were held on the update of pre-planning advice and how it was promoted to developers/agents; the resolution of noise nuisance complaints and what the breakdown of the various noise nuisances were and temporary housing accommodation.

In particular discussions were held on:

**Appendix B** – (G5 - % of business and residents with high speed broadband) – Members questioned how the council influenced broadband, and why the target was set at 95% and not 100%.

In response members were informed that the council was actively working with Suffolk County Council on this project. With regards to the 95% target, officers agreed to look into this and would provide a written response as to how this was set.



**Appendix C** – (F6 – residual household waste per household (kg)) - Members questioned what the actual figure was in relation to the small increase in residual waste reported in quarter one.

Officers advised that the actual figures were not to hand, but would provide members with a written response.

**Appendix M** – Bury Christmas Fayre (predicted overspend arising from additional security) – Members were informed that the Overview and Scrutiny Committee Joint Task and Finish Group would be looking at security as part of its review work.

**Appendix M** – Off Street Car Parking (car parking income currently expected to fall short of budget levels) – Members questioned whether the “free from 3” parking had affected income?

In response members were informed that “free from 3” parking had been in operation for several years, and this had been factored into the budget setting process. However, one area where the council had seen a drop in demand for parking was for mid-week parking, but there had been a slight recovery in June and figures remained historically high compared to just two years ago.

## 2. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – June 2018**

The Service Manager (Finance and Performance) presented the quarter one risk register monitoring report for 2018-2019 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 June 2018 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 June 2018 had been removed from the Register. There had been no major amendments made to current risks during the reporting period and no existing risks had been 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 considered the report and did not raise any issues.

## 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.

Members considered its work programme for 2018-2019, and did not raise any issues.

4. **Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan**

The Service Manager (Finance and Performance) presented the report, which set out the proposed approach and timescales around the 2019-2020 budget setting process against the agreed principles, as we head into the new West Suffolk Council.

Shadow Council on 17 July 2018, considered the recommendations from the Shadow Executive (Cabinet) regarding the adoption of the new West Suffolk Council's Strategic Framework and Medium Term Financial Strategy. As the report was published prior to that date, the report was written on the basis that those recommendations would be supported by the Shadow Council, which was the case. The Shadow Council was also asked to support the key principles set out in Report No: EXC/SA/18/002 for the development of the 2019-2020 budget and medium term financial plans for the new West Suffolk Council.

Recognising the important role the Performance and Audit Scrutiny Committee played in the development of the budget, it was agreed that a report be brought to the Committee, setting out the proposed approach to achieving these principles, including timescales and next steps.

Members considered the report and the approach set out for delivering a Sustainable West Suffolk Budget for 2019-2020 and Medium Term Plan, and did not raise any issues.

5. **Appointment of Auditors for West Suffolk Council**

The Assistant Director (Resources and Performance) presented the report, which asked the Committee consider the options available for appointing External Auditors for the new West Suffolk Council.

In September 2016, both Committee's recommended that Forest Heath District and St Edmundsbury Borough Council "opt in" to the PSAA audit arrangements for the statement of accounts work for 2018-2019. As a result of the transition to a new West Suffolk Council, both Forest Heath and St Edmundsbury would cease to exist and officers would notify the PSAA that they would no longer be part of this arrangement. However, the new West Suffolk Council would need to confirm its audit arrangements to appoint a local auditor to audit its accounts in 2019-2020.

West Suffolk Council from 2019-2020 onwards could choose one of the following options:

- 1) Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council; or

- 2) Commence work on exploring the establishment of local joint procurement arrangements with neighbouring authorities.

Advice from the PSAA confirmed that the West Suffolk Council would need to formally opt in to the PSAA arrangements, which meant existing arrangements could not be transitioned across.

Therefore members were being asked to reaffirm their commitment to option 3, which was to "opt in" to the PSAA arrangements. For completeness the report set out in detail the advantages and disadvantages for each of the three options again for member's consideration.

The Committee was informed that this report was only coming back to members due to the arrangements to move to a new Council, and not through any dissatisfaction with the PSAA process or appointment of auditors to date.

The Shadow Council must, by 31 December 2018, take action to implement new arrangements for the appointment of external auditors from April 2019 under a new West Suffolk Council. In order that more detailed proposals could be developed, the Shadow Council will be asked to give early consideration to the preferred approach.

Members considered the report and reaffirmed their commitment to option 3, to "opt in" to the PSAA arrangements.

On the conclusion of the informal joint discussions at 6.11pm, all Members remained in Conference Chamber West to then hold their individual formal meetings.

In the presence of St Edmundsbury's Performance and Audit Scrutiny members, the Chairman then formally opened the Forest Heath District Council Performance and Audit Scrutiny Committee in Conference Council West at 6.14pm.

# 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 **6.14pm** in **Conference Chamber West, West Suffolk House**, Western Way, Bury St Edmunds, IP33 3YU

Present: **Councillors**

**Chairman** Louis Busuttil  
**Vice Chairman** Colin Noble

Chris Barker  
Rona Burt  
John Bloodworth

Simon Cole  
Peter Ridgwell

## 218. **Substitutes**

There were no substitutes declared.

## 219. **Apologies for Absence**

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

## 220. **Public Participation**

Public participation had been taken within the previous informal joint discussions and there had been no questions statements from member of the public.

## 221. **2018-2019 Performance Report - Quarter 1**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/020.

Members had considered the report and with there being no decision required, the Committee **noted** the year end forecast financial position.

## 222. **West Suffolk Strategic Risk Register Monitoring Report - June 2018**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/021.

Members had considered the report and with there being no decision required, the Committee **noted** the updated West Suffolk Strategic Risk Register, attached at Appendix 1 to Report No: PAS/FH/18/021.

**223. Work Programme Update**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/022.

Members had considered the report and with there being no decision required, the Committee **noted** the contents of its forward work programme for 2018-2019.

**224. Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/023.

Members had considered the report in detail, and there being no decision required, the Committee **noted** the approach and timescales for the 2019-2020 budget setting process and medium term plans as we head into the new West Suffolk Council.

**225. Appointment of Auditors for West Suffolk Council**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/024.

The Committee considered the report and **noted** the arrangements for appointing External Auditors for the new West Suffolk Council and Shadow West Suffolk Council.

Councillor Simon Cole moved the recommendation, this was duly seconded by Councillor Colin Noble, and with the vote being unanimous, it was

**RECOMMENDED**

That subject to the approval of the West Suffolk Shadow Council, Option 3, to 'opt-in' to the sector led body (Public Sector Audit Appointments Limited) for the independent appointment of the Council's External Auditor, beginning with responsibilities for the financial year 2019-2020, be approved.

The Meeting concluded at 6.15pm

**Signed by:**

**Chairman**

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# 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 Busuttill  
**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

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**

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# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Ernst and Young Presentation of Annual Audit Letter 2017/2018</b>	
<b>Report No:</b>	<b>PAS/FH/18/029</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	27 September 2018
<b>Portfolio holder:</b>	Councillor Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Greg Stevenson Service Manager – Finance and Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:Gregory.stevenson@westsuffolk.gov.uk">Gregory.stevenson@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To update members on the outcome of the annual audit of the 2017/2018 financial statements by Ernst and Young, as set out in their report at <b>Appendix A</b> .	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>Members are asked to <u>note</u> the report and Appendix A.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		• N/A	
<b>Alternative option(s):</b>		• N/A	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • The report and appendix include the final scale fee in respect of the 2017/2018 audit of the accounts.	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
None			
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix A</b> – FHDC Annual Audit Letter for the year ended 31 March 2018 <b>Appendix B</b> – SEBC Annual Audit Letter for the year ended 31 March 2018	



**1. Key issues and reasons for recommendation(s)**

**1.1 Summary and reasons for recommendation**

1.1.1 To update members on the outcome of the annual audit of the 2017/2018 financial statements by Ernst and Young (EY), our external auditors, as detailed in their Annual Audit Letter for the year ended 31 March 2018, attached at **Appendices A** and **B**.

1.1.2 The letters are for information, and confirm the completion of the audit of the 2017/2018 financial statements.

1.1.3 The final audit fees for 2017/18 are set out in the table below:

<b>Audit Fee - Code Work</b>	<b>Planned Fee 2017/18 £</b>	<b>Final Fee 2017/18 £</b>
Forest Heath DC	47,059	TBC
St Edmundsbury BC	43,767	43,767

1.1.4 The final fee for Forest Heath is expected to be £2,000-£3,000 higher than the planned audit fee of £47,059. This additional fee relates to work performed over the valuation of the solar farm asset, and will be discussed with management before receiving final approval from the PSAA Ltd.

1.1.5 Work on the certification of the Housing Benefit Subsidy returns is not due to be completed until 30 November 2018 and the results of this work, along with the final fees, will be reported in the Annual Certification Reports.

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**Forest Heath District  
Council**

Annual Audit Letter for the year  
ended 31 March 2018

29 August 2018

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Audit Fees



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

# Executive Summary



# Executive Summary

We are required to issue an annual audit letter to Forest Heath District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Including on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



## Executive Summary (cont'd)

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 16 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25 July 2018.

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Page 25  
In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.  
We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



# 02

# Purpose and Responsibilities





# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 25 July 2018 Performance and Audit Scrutiny Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the audit planning report that we issued on 19 January 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



**03**

**Financial Statement Audit**

# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 25 July 2018.

Our detailed findings were reported to the 25 July 2018 Performance and Audit Scrutiny Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Risk of management override of control</b></p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.</p> <p>We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to incorrect classification of revenue spend as capital expenditure.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the accounting estimates most susceptible to bias as to their reasonableness.</p> <p>We evaluated the business rationale for any significant unusual transactions.</p> <p>We reviewed capital expenditure on property. Plant and equipment to determine it meet the relevant accounting requirements for capitalisation.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We have not identified any management bias in accounting estimates.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>We did not identify any items that were inappropriately capitalised.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>We obtained a breakdown of capital additions in the year, and reviewed these to identify any items that could be revenue in nature.</p> <p>We designed journal procedures to identify any manual adjustment journal types moving amounts from revenue to capital codes. We then tested a sample of capital expenditure to supporting documentation to ensure that the capital/revenue split was reasonable.</p> <p>Our testing has not identified any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

Significant Risk	Conclusion
<p><b>Property, Plant and Equipment - Solar Farm Valuation</b></p> <p>In 2016/17 financial year the Council purchased 'Greenheath Energy Ltd' and associated Solar Farm asset transferring the asset into the Council's Balance sheet. We identified this purchase and transfer as a significant risk during our 2016/17 financial statements audit, with particular focus on the valuation of the Solar Farm asset.</p> <p>The Council valued the Solar Farm asset utilising the income approach, specifically by capitalising the net income received over the six months leading up to the valuation date into perpetuity. Whilst we found that the Solar Farm asset's value of £14.15 million as at the 31 March 2017 was within a reasonable range (£14.02 to £15.28 million), the valuation methodology adopted by the Council contradicted industry valuation practices as reported in our 2016/17 Audit Results Report.</p> <p>The Council have engaged a new external expert for 2017/18 (Wilkes Head and Eve), to value the Council's asset base, as such there remains a risk that the valuation methodology used will not be appropriate and could lead to the asset being materially misstated.</p>	<p>During 2017/18 the Council employed a new Specialist, Wilkes, Head and Eve, to perform its non current asset valuation for the year ended 31 March 2018, which included the valuation of the Solar farm Asset.</p> <p>From our review of the Specialist valuation we conclude that:</p> <ul style="list-style-type: none"> <li>▶ The Specialist's overall methodology used in developing the estimate is appropriate given the characteristics of the asset being measured. However, we note that some of the assumptions are not appropriate, specifically, we note that the power price forecast applied is outdated and that the Specialist has assumed that Renewable Obligation Certificate revenues are available for the entire life of the asset, as such this should be reviewed by the Council for future valuations.</li> <li>▶ Based on corroborative review calculations using the PwC financial model and recent market transactions, we consider the Client's adopted project value of £13.8 million for the Solar Farm as at the Valuation Date to sit within a reasonable range between £11.95 million and £14.94 million.</li> </ul> <p>Our testing has not identified any material misstatements in the specific areas we tested.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><b>Property, Plant and Equipment Valuation</b></p> <p>Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Council have engaged a new external expert for 2017/18 (Wilkes Head and Eve), to value the Council's asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Following full consideration of their work, we have placed reliance on the Council's valuation expert.</p> <p>Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>Our audit work did not identify any issues with the accounting treatment for valuations.</p>
<p><b>Pension Liability - IAS 19</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.</p> <p>Our audit procedures highlighted a difference between the estimated Fund Asset valuation at the 31 March 2018 and the actual valuation of £44 million. The Authority's share of this difference is £0.88 million. The Pension Fund Actuary has subsequently provided an updated IAS19 report, which incorporated this updated information, and Authority has used this latest report to correctly amend the revised financial statements.</p> <p>We have not identified any other issues with the accounting entries and disclosures made within the financial statements.</p>

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £0.69 million (2016/17: £1.08 million), which is 2% of gross expenditure on provision of services reported in the accounts.  We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Performance and Audit Scrutiny Committee that we would report to the Committee all audit differences in excess of £34,000 (2016/17: £54,000)

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We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

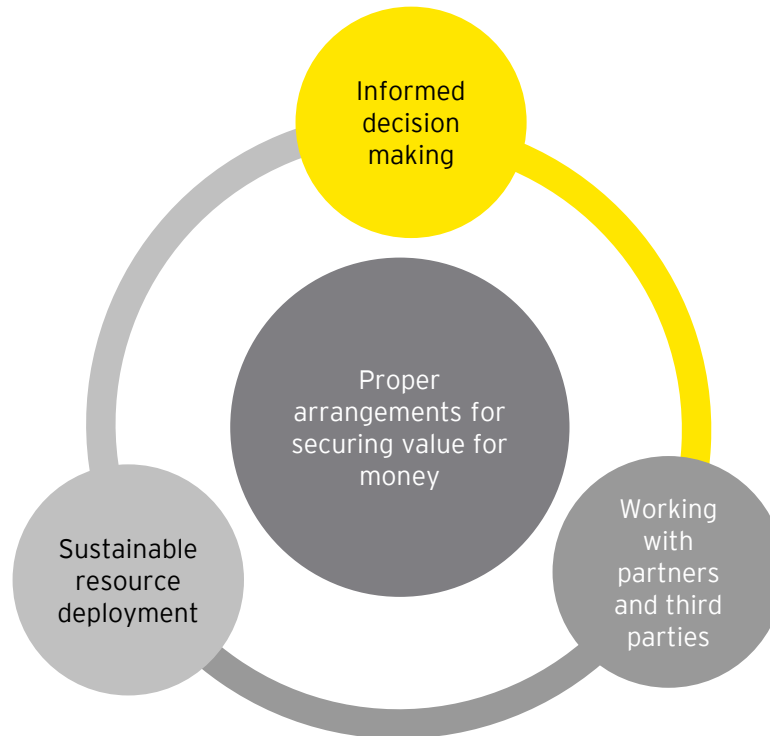


# 04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risks in relation to these arrangements. The table below presents the findings of our work in response to the risks identified.

We have performed the procedures outlined in our audit planning report. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 25 July 2018.





## Value for Money (cont'd)

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Significant Risk	Conclusion
<p><b>Single Council for West Suffolk</b></p> <p>Plans to create a new 'single council' through the merger of Forest Heath District Council and St Edmundsbury Borough Council have been approved by the respective Full Council and Cabinet's of both Councils.</p> <p>Following a joint application to the Secretary of State, DCLG has announced they are minded to implement the plan which will see a parliamentary order being made to enable the change in 2019.</p>	<p>We have undertaken the following procedures:</p> <ul style="list-style-type: none"><li>▶ The approval process for creation of a single Council;</li><li>▶ How the Council assessed the business case to ensure best value on the future financial and non-financial returns;</li><li>▶ The governance arrangements over any conflicts of interest; and,</li><li>▶ The impact of the merger on the Medium Term Financial Strategy.</li></ul> <p>Our procedures have provided adequate assurance that the Council has followed the appropriate processes based on adequate information.</p>

---



05

## Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence in our Audit Results Report to the Performance and Audit Scrutiny Committee on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Performance and Audit Scrutiny Committee.



# 06 Data Analytics



# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Plan.



07

Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 9 Financial Instruments</b>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>▶ How financial assets are classified and measured;</li> <li>▶ How the impairment of financial assets are calculated; and</li> <li>▶ The disclosure requirements for financial assets.</li> </ul> <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Reclassify existing financial instrument assets</li> <li>▶ Re-measure and recalculate potential impairments of those assets; and</li> <li>▶ Prepare additional disclosure notes for material items.</li> </ul>
<b>IFRS 15 Revenue from Contracts with Customers</b>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>▶ Leases;</li> <li>▶ Financial instruments;</li> <li>▶ Insurance contracts; and</li> <li>▶ For local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



## Focused on your future (cont'd)

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Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>





**08**

**Audit Fees**

## Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the Public Sector Audit Appointments Ltd (PSAA) and reported in our 16 July 2018 Audit Results Report.

Description	Final Fee 2017/18 £'s	Planned Fee 2017/18 £'s	Scale Fee 2017/18 £'s	Final Fee 2016/17 £'s
Total Audit Fee - Code work	TBC - Note 1	47,059 - Note 1	47,059	56,309
Total Audit Fee - Certification of claims and returns	TBC - Note 2	12,442 - Note 2	12,442	15,202

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### **Note 1 - Audit Fee - 2017/18 Code work**

The final fee will include additional audit costs associated with the additional work performed over the valuation of the Solar farm asset. At the planning stage of the audit (Audit Plan), and as reported within our Audit Results Report, we expected the additional fee to be £2,000 - £3,000 range. This additional fee will be discussed with management and is then subject to approval by the PSAA Ltd. We will report separately once the approval process is complete.

### **Note 2 - Housing Benefit fee**

The final fee for the certification of claims and returns will be confirmed upon completion by the 30 November deadline. We will report the final fee in our Annual Certification report.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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**St Edmundsbury  
Borough Council**

Annual Audit Letter for the year  
ended 31 March 2018

29 August 2018

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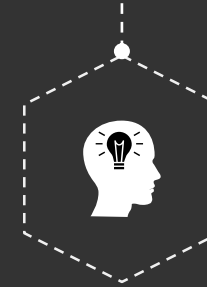
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Audit Fees



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary

# Executive Summary

We are required to issue an annual audit letter to St Edmundsbury Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2018.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Including on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



## Executive Summary (cont'd)

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 16 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 25 July 2018.

Page 51  
In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.  
We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



# 02

# Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 25 July 2018 Performance and Audit Scrutiny Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the audit planning report that we issued on 19 January 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



**03**

**Financial Statement Audit**

# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 25 July 2018.

Our detailed findings were reported to the 25 July 2018 Performance and Audit Scrutiny Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Risk of management override of control</b></p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.</p> <p>We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to incorrect classification of revenue spend as capital expenditure.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the accounting estimates most susceptible to bias as to their reasonableness.</p> <p>We evaluated the business rationale for any significant unusual transactions.</p> <p>We reviewed capital expenditure on property. Plant and equipment to determine it meet the relevant accounting requirements for capitalisation.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We have not identified any management bias in accounting estimates.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>We did not identify any items that were inappropriately capitalised.</p>

## Financial Statement Audit (cont'd)

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The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>We obtained a breakdown of capital additions in the year, and reviewed these to identify any items that could be revenue in nature.</p> <p>We designed journal procedures to identify any manual adjustment journal types moving amounts from revenue to capital codes. We then tested a sample of capital expenditure to supporting documentation to ensure that the capital/revenue split was reasonable.</p> <p>Our testing has not identified any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><b>Property, Plant and Equipment Valuation</b></p> <p>Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Council have engaged a new external expert for 2017/18 (Wilkes Head and Eve), to value the Council's asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Following full consideration of their work, we have placed reliance on the Council's valuation expert.</p> <p>Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>Our audit work did not identify any issues with the accounting treatment for valuations.</p>
<p><b>Pension Liability - IAS 19</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.</p> <p>Our audit procedures highlighted a difference between the estimated Fund Asset valuation at the 31 March 2018 and the actual valuation of £44 million. The Authority's share of this difference is £1.98 million. The Pension Fund Actuary has subsequently provided an updated IAS19 report, which incorporated this updated information, and Authority has used this latest report to correctly amend the revised financial statements.</p> <p>We have not identified any other issues with the accounting entries and disclosures made within the financial statements.</p>

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

## Financial Statement Audit (cont'd)

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### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.48 million (2016/17: £1.31 million), which is 2% of gross expenditure on provision of services reported in the accounts.  We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Performance and Audit Scrutiny Committee that we would report to the Committee all audit differences in excess of £74,000 (2016/17: £66,000)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



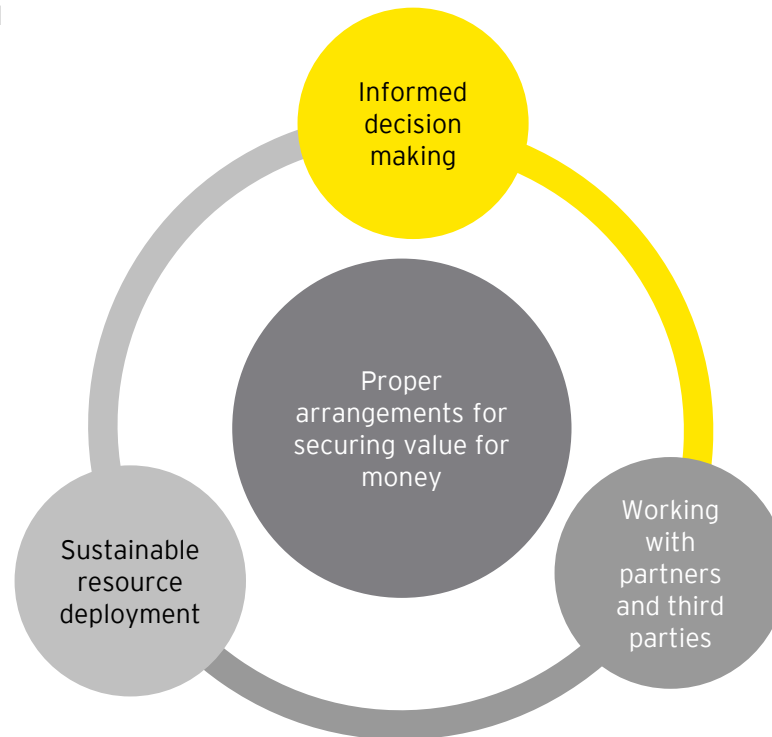


# 04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risks in relation to these arrangements. The table below presents the findings of our work in response to the risks identified.

We have performed the procedures outlined in our audit planning report. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 25 July 2018.



## Value for Money (cont'd)

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Significant Risk	Conclusion
<p><b><u>Single Council for West Suffolk</u></b></p> <p>Plans to create a new 'single council' through the merger of St Edmundsbury Borough Council and Forest Heath District Council have been approved by the respective Full Council and Cabinet's of both Councils.</p> <p>Following a joint application to the Secretary of State, DCLG has announced they are minded to implement the plan which will see a parliamentary order being made to enable the change in 2019.</p>	<p>We have undertaken the following procedures:</p> <ul style="list-style-type: none"><li>▶ The approval process for creation of a single Council;</li><li>▶ How the Council assessed the business case to ensure best value on the future financial and non-financial returns;</li><li>▶ The governance arrangements over any conflicts of interest; and,</li><li>▶ The impact of the merger on the Medium Term Financial Strategy.</li></ul> <p>Our procedures have provided adequate assurance that the Council has followed the appropriate processes based on adequate information.</p>

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05

## Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence in our Audit Results Report to the Performance and Audit Scrutiny Committee on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Performance and Audit Scrutiny Committee.



# 06 Data Analytics



# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Plan.



**07**

**Focused on your future**





## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 9 Financial Instruments</b>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>▶ How financial assets are classified and measured;</li> <li>▶ How the impairment of financial assets are calculated; and</li> <li>▶ The disclosure requirements for financial assets.</li> </ul> <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Reclassify existing financial instrument assets</li> <li>▶ Re-measure and recalculate potential impairments of those assets; and</li> <li>▶ Prepare additional disclosure notes for material items.</li> </ul>
<b>IFRS 15 Revenue from Contracts with Customers</b>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>▶ Leases;</li> <li>▶ Financial instruments;</li> <li>▶ Insurance contracts; and</li> <li>▶ For local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



## Focused on your future (cont'd)

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Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



# 08 Audit Fees

## Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the Public Sector Audit Appointments Ltd (PSAA) and reported in our 16 July 2018 Audit Results Report.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee - Code work	43,767	43,767	43,767	43,767
Total Audit Fee - Certification of claims and returns	TBC - Note 1	24,722 - Note 1	24,722	22,585

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### Note 1 - Housing Benefit fee

The final fee for the certification of claims and returns will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual certification report.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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# Informal Joint Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title of Report:</b>	<b>Annual Corporate Environmental Performance 2017-2018</b>	
<b>Report No:</b>	<b>PAS/FH/18/030</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	27 September 2018
<b>Portfolio holder:</b>	Councillor Lance Stanbury Portfolio Holder for Planning and Growth <b>Tel:</b> 07970 947704 <b>Email:</b> <a href="mailto:lance.stanbury@forest-heath.gov.uk">lance.stanbury@forest-heath.gov.uk</a>	
<b>Lead officers:</b>	Peter Gudde Service Manager (Environmental Health) <b>Tel:</b> 01284 757042 <b>Email:</b> <a href="mailto:peter.gudde@westsuffolk.gov.uk">peter.gudde@westsuffolk.gov.uk</a>  Andrew Oswald Team Leader – Environmental and Energy (Environmental Health) <b>Tel:</b> 01284 757622 <b>Email:</b> <a href="mailto:Andrew.oswald@westsuffolk.gov.uk">Andrew.oswald@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To report the work undertaken during 2017-2018 to improve the West Suffolk council's environmental performance.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is recommended that, the Committee is asked to <u>note</u> the report's contents.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		Portfolio Holders have had the opportunity to feed into this report.	
<b>Alternative option(s):</b>		Not Applicable	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> None as a direct result of this update report however the report refers to the environmental performance of assets which form part of the councils' investment programme as part of the West Suffolk Energy Framework.  Separate reports will be presented setting out any business case for investing in other opportunities as appropriate.	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		More detail is set out in paragraphs 1.4 to 1.6 below	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Complying with environmental responsibilities	<b>High</b>	Maintaining a managed approach to environmental compliance	<b>Medium</b>
Improving performance	<b>Medium</b>	Maintaining a managed approach to drive improvement	<b>Low</b>
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b>		Report <a href="#">CAB/JT/18/007</a> to Joint Executive (Cabinet) Committee on 25 June 2018	
<b>Documents attached:</b>		Appendix A – West Suffolk Environmental Statement 2017-2018	



## 1. Key issues and reasons for recommendation(s)

- 1.1 The Annual Environmental Statement is presented at **Appendix A**. The statement covers environmental performance in 2017-2018 including the West Suffolk councils' operations and that of Abbeycroft Leisure in West Suffolk in respect of energy and water consumption and renewable energy generation.
- 1.2 By delivering improved environmental performance across West Suffolk, the councils continue to fulfil both their statutory and policy responsibilities set out in the West Suffolk Sustainability Strategy.
- 1.3 The West Suffolk Sustainability Strategy 2013-2018, which incorporates our vision and objectives, is available on our website [www.westsuffolk.gov.uk](http://www.westsuffolk.gov.uk) . The Strategy lapses in December 2018. During the reporting period, UK Government published its Clean Growth Strategy and 25 Year Environment Plan; both call upon devolved administrations and local government to play their part in improving the environment through their own business operations.
- 1.4 The councils continue to work with other Suffolk organisations, including all local authorities, to deliver improvement in energy efficiency, carbon reduction and climate adaptation as part of the Suffolk – Creating the Greenest County's delivery arrangement, the Suffolk Climate Change Partnership. Our current Greenhouse Gas emissions reduction target, a 60% reduction in greenhouse gas emissions by 2050 against a 2010 baseline, was generally aligned with the CO2 reduction target adopted by partners in 2010.
- 1.5 Since that time, international climate agreement at the Paris Accord has been translated into national legislation and local target setting; a new county-wide target has been adopted which accords generally with national carbon budgeting required under the Climate Change Act 2008:
  - *"To facilitate a reduction in absolute carbon emissions in Suffolk of 35% on 2010 levels by 2025 and 75% by 2050, in line with the UK Climate Change Act 2008."*

This target represents an appropriate UK contribution to global emission reductions consistent with limiting global temperature rise to as little as possible above 2°C, the agreed international scientific and policy consensus level to avoid dangerous climate change.

Furthermore, in June 2018 the West Suffolk councils endorsed a new regional energy strategy developed by the three Local Enterprise Partnerships in the East of England, which reflects this development.
- 1.6 Given these developments, work will continue and any further proposals will be considered by the Single Council after its establishment. In the meantime, it is proposed that the Annual Statement will act as means of communicating the organisations' approach to environmental performance.

This uses 2010 as the baseline year instead of 1990 as the Climate Change Act does, as the Partnership does not have access to figures for Suffolk prior to this time, but the reduction trajectory from 2010 is consistent with the Act.

## 2. Key Highlights

2.1 Areas of performance are presented in the summary page of the Environmental Statement with links to more detail. As a snapshot, key highlights are set out below:

- CO<sub>2</sub> emissions associated with the councils grid electricity consumption has decreased by 11% compared to 2016-2017. This has been assisted by the “greening” or decarbonisation of the electrical grid.
- These reductions have managed to override increased gas energy consumption from the council’s main buildings.
- Our solar photovoltaic (PV) schemes continue to generally deliver in line with projections and the councils continue exploring the benefits that other renewable energy technologies may bring, such as renewable heat.
- CO<sub>2</sub> emissions from commercial fleet transport use has increased by 2%, which is due in part to the increased commercial service provision.
- Staff mileage reduced by 3% from 435,067 miles to 420,780 miles.
- Water use across the councils and the Abbeycroft leisure centres managed decreased by 9% compared to 2016-2017.
- We retained Green Flag status for four of our public parks and have improved the biodiversity status of a number of green spaces.
- A number of waste initiatives were launched in 2017-2018 to improve office waste recycling performance based on audits.

2.2 Investment in energy and water efficiency and cutting waste is now standard practice across all business sectors and also plays a part in demonstrating a wider corporate social responsibility.

2.3 There are ongoing resource implications to deliver this work (within existing budgets), with environmental improvement generally delivering financial returns through reduced resource use. These continue to be reviewed and considered in light of the Council’s Medium Term Financial Strategy, with appropriate business cases being developed where needed.

**West Suffolk Environmental Statement 2017/18**



**Introduction**

Forest Heath District Council and St Edmundsbury Borough Council are working together to manage the effects that our activities have on the natural environment.

This report summarises the activities undertaken to manage and reduce the environmental impacts of our operations during the year ending 31st March 2018.

There is a significant amount of work which contributes to improving the environment carried out by us directly and with our partners which is not covered in this statement. More information can be found via our website - [www.westsuffolk.gov.uk/environment](http://www.westsuffolk.gov.uk/environment).

The report is structured by theme with highlights set out below. For ease, links to the key sections are made in the summary.

**Our environmental performance in 2017/18**

The Councils continue to work to improve environmental performance during the year. Areas of key interest are summarised below:

- Total CO<sub>2</sub> emissions, compared to our 2010 baseline, are down by 26.7% for Forest Heath and 14.49% in St Edmundsbury with emissions for both Councils reduced since 2016/17 – [see section 1](#)
- CO<sub>2</sub> emissions associated with the Councils grid electricity consumption has decreased by 11% compared to 2016/17. This has been assisted by the “greening” or decarbonisation of the electrical grid.
- These reductions have managed to override increased gas energy consumption from the Council’s main buildings - [see section 2](#).
- Our solar photovoltaic (PV) schemes continue to generally deliver in line with projections and the Councils continue exploring the benefits that other renewable energy technologies may bring, such as renewable heat – [see section 3](#).
- The Toggam Solar Farm ([see section 3](#)) has generated 11,687MWh, slightly above the predicted level. This equates to around the demand from 3,300 homes and offset the Carbon Dioxide emissions from 1,500 cars.
- CO<sub>2</sub> emissions from commercial fleet transport use has increased by 2%, we believe this is due to the increased demand on services and commercial service provision - [see section 4](#).
- During 2017/18, staff mileage claimed through the expenses system reduced by 3% from 435,067 miles to 420,780 miles - [see section 5](#).
- Water use across the Councils and the leisure centres managed by Abbeycroft Leisure decreased by 9% compared to 2016/17 – [see section 6](#).
- A number of waste initiatives were launched in 2017/18 to improve office waste recycling performance based on audits – [see section 7](#).

- We retained Green Flag status for four of our public parks and have improved the biodiversity status of a number of green spaces – [see section 8](#).

The Council continues to deliver improved environmental performance across a range of impact areas. Delivery is facilitated by communications between teams and via the Environmental Management group. Priority areas for 2018/19 will be building gas consumption, office and park waste streams and establishing our strategy and action plan to continue to address the impacts of Council vehicle and transportation.

More detailed performance against our objectives and targets is set out in the following pages.

# Greenhouse gas emissions arising from Council activities

**Target:** Reduce greenhouse gas (CO<sub>2</sub>e) emissions<sup>1</sup> 35%

**Target date:** 2025

**Baseline year:** 2010

**Baseline (2010 recalculated July 2016):**

Forest Heath	2,453 tonnes CO <sub>2</sub> e
St Edmundsbury	5,136 tonnes CO <sub>2</sub> e

**2017/18 performance**

Forest Heath	1,799 tonnes CO <sub>2</sub> e
St Edmundsbury	4,391 tonnes CO <sub>2</sub> e

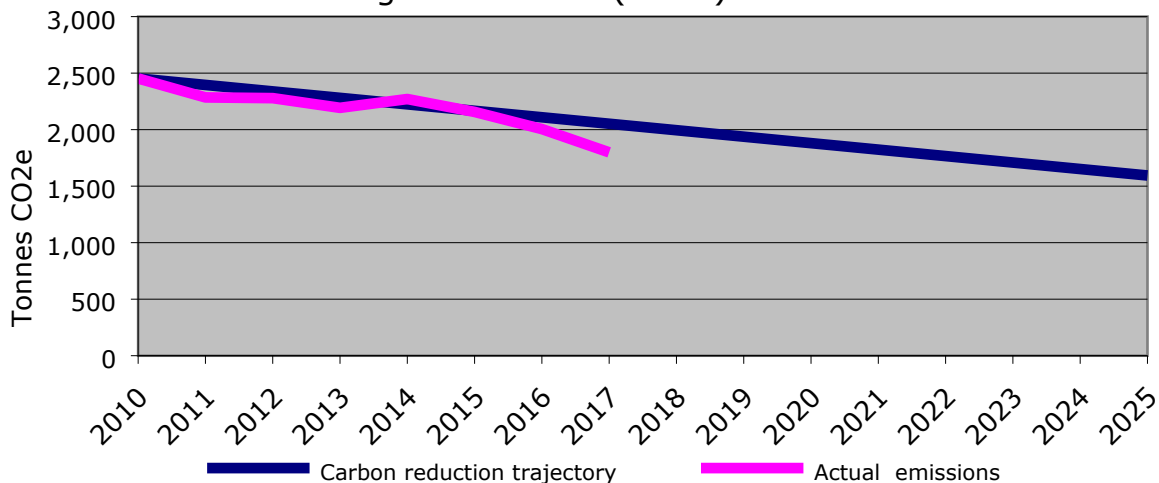
**Comment**

The carbon footprint of the Councils' operations continued to reduce:

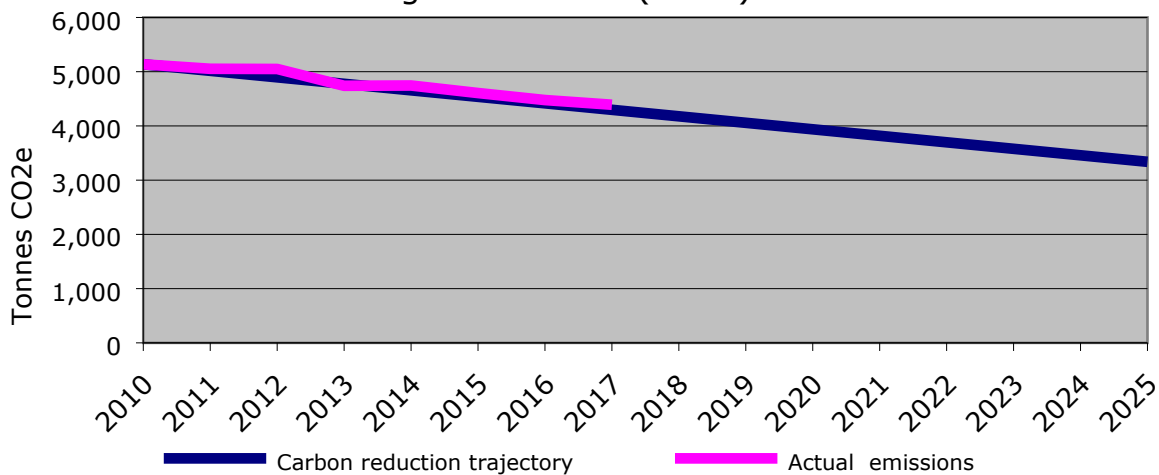
- Forest Heath decreased by 10.3% compared to 2016/17 (26.7% down on baseline)
- St Edmundsbury decreased 1.9% compared to 2016/17 (14.49% down on baseline)

We include emissions that arise from buildings and transportation. These include the leisure centres operated by Abbeycroft Leisure and other operational buildings. The lower reduction in SEBC emissions is attributable to an increase in emissions from gas consumption (Council and Abbeycroft Leisure) and a small increase in vehicle related emissions.

Greenhouse gas emissions (CO<sub>2</sub>e) from FHDC activities



Greenhouse gas emissions (CO<sub>2</sub>e) from SEBC activities



<sup>1</sup> Carbon dioxide equivalent (CO<sub>2</sub>e). A universal unit of measurement used to indicate the global warming potential of a greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate the releasing (or avoiding releasing) of different greenhouse gases against a common basis.

Key features noted during the year were as follows:

- Emissions from fleet vehicles used for refuse collection and grounds maintenance continued to rise due to increased commercial activity. In 2017/18 emissions rose by 2% on the previous year.
- Emissions from staff transport continued to fall, with emissions down by 3% compared to the previous year.
- Emissions from electricity consumption were down by 11% on the previous year.
- Emissions from increased gas consumption requires further attention as this has increased by 4% for Forest Heath and 3% for St Edmundsbury compared to the 2010 baseline.
- Abbeycroft Leisure properties at Newmarket and Brandon reduced emissions associated with gas and electricity use by 7% whilst Bury St Edmunds and Haverhill Leisure Centres reduced by 2%.
- The large drop in emissions for Forest Heath was due to improved efficiency of electrical energy consumption and the impact of “greening” of the grid.

NOTE: The gradual “greening” of grid electricity is a key component of the UK emissions reduction targets, and therefore also helping the Councils achieve our emissions reduction target.

**Emissions target and progress to date**

As the Councils’ operations continue to develop and grow, so do the challenges relating to reducing greenhouse gas emissions and environmental impacts. Reduction of our carbon footprint will involve both continued improvement of building energy efficiency, vehicle-related emissions and leisure centre energy consumption.

## Building energy use

**Target:** Reduce carbon emissions associated with building energy by 2025

**Baseline year:** 2010 (recalculated July 2016)

Forest Heath	1,717 tonnes CO <sub>2</sub> e
St Edmundsbury	3,720 tonnes CO <sub>2</sub> e

### 2017/18 performance

Forest Heath	1,304 tonnes CO <sub>2</sub> e
St Edmundsbury	2,915 tonnes CO <sub>2</sub> e

### Comments

Energy consumption performance across both Councils' sites has been maintained or improved at most sites:

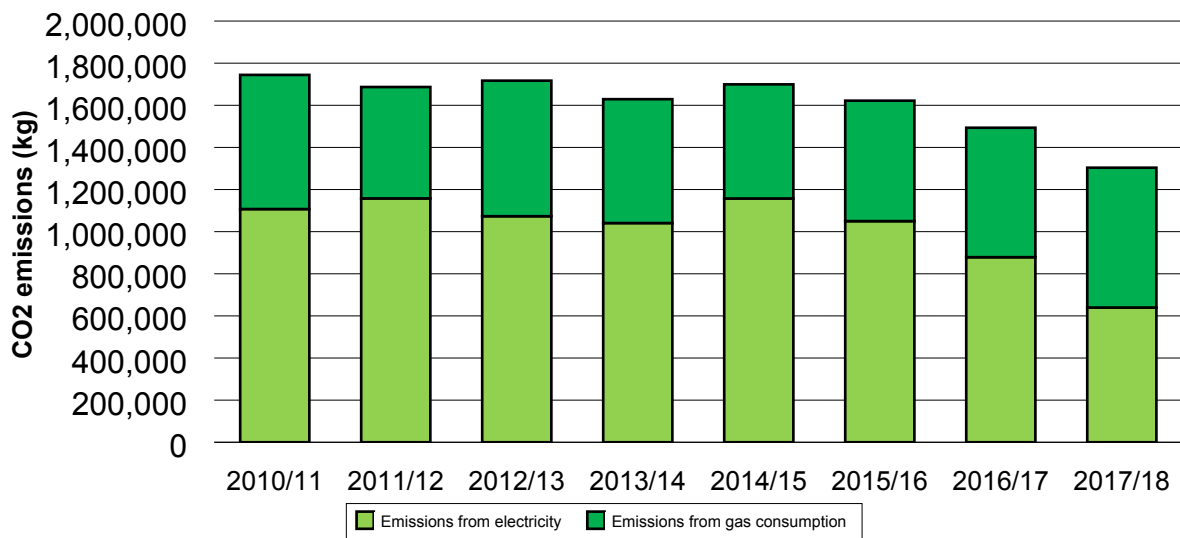
- Significant improvement in the control of electrical heating/cooling systems at College Heath Road have helped reduce overall electrical energy consumption.
- However notable issues affecting the control of heating at West Suffolk House, College Heath Rd, Haverhill Offices and the ongoing over consumption in St Edmundsbury Depot meant that gas consumption rose. Works are underway to address these control issues.

Therefore, the "greening" or decarbonisation of the electrical grid has enabled us to report an overall reduction in building related emissions despite similar electricity consumption across St Edmundsbury sites and increases in gas consumption for both Councils.

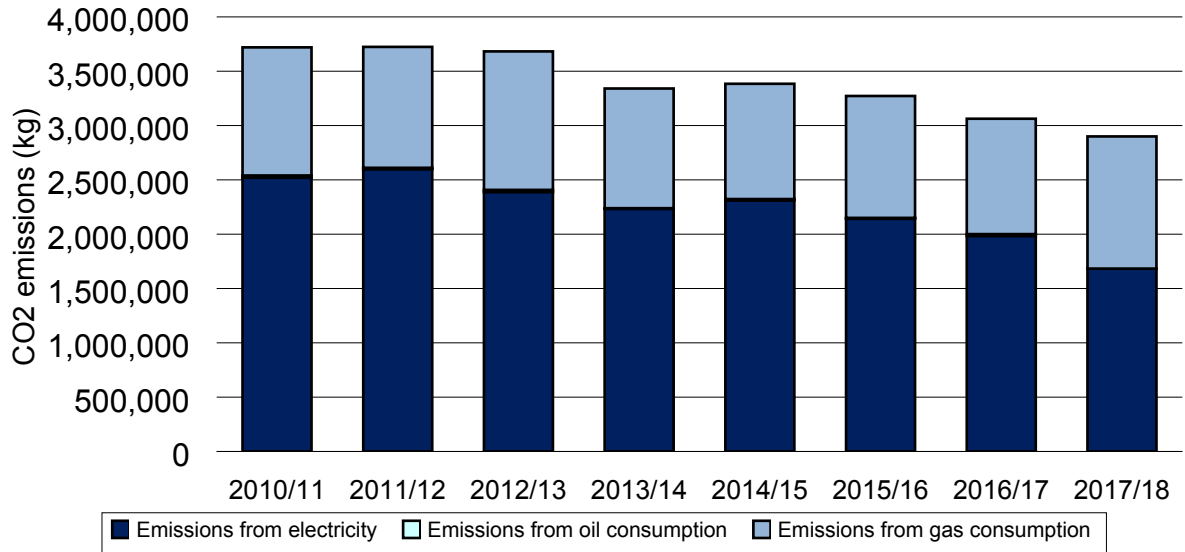
Significant energy efficiency improvement projects completed in 2017/18 included:

- Building management control system updates for The Apex and West Suffolk House.
- Commercial building insulation and LED lighting projects.
- Electrical energy efficiency improvements maintained at College Heath Road.
- Gas energy monitoring for key sites – reporting to Property Services for action by staff on site or controls and mechanical engineers.

### FHDC- Breakdown of CO2 emissions by fuel type



### SEBC - Breakdown of CO2 emissions by fuel type





## Renewable energy

**Baseline year: 2012/13**

Total renewable energy generation	300,220 kWh
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**2017/18 Performance**

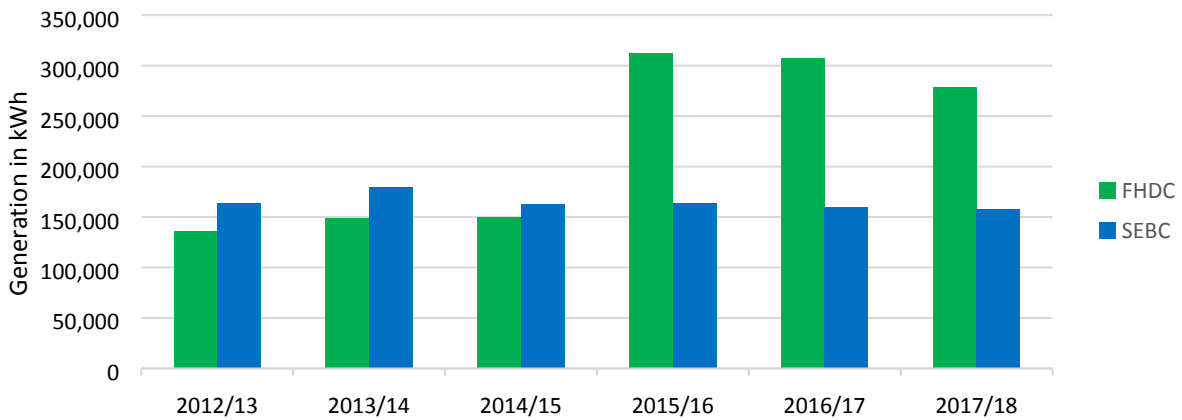
Total renewable energy generation	437,227 kWh
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### Renewable energy generation - Buildings

The Councils continue to generate power from renewable energy sources, notably solar photovoltaic on our own property. In 2017/18, 437,227 kWh were generated, enough to power 123 average homes. Overall generation has decreased by 7% compared to last year, primarily driven by reduced solar irradiation (mainly in quarter two) and two key sites suffering from poor performance due to a technical failure. These sites have since been repaired and are performing well.

We are planning to install renewable heat and power generation to replace heating oil and inefficient underfloor electricity heating at West Stow Park during 2018/19.

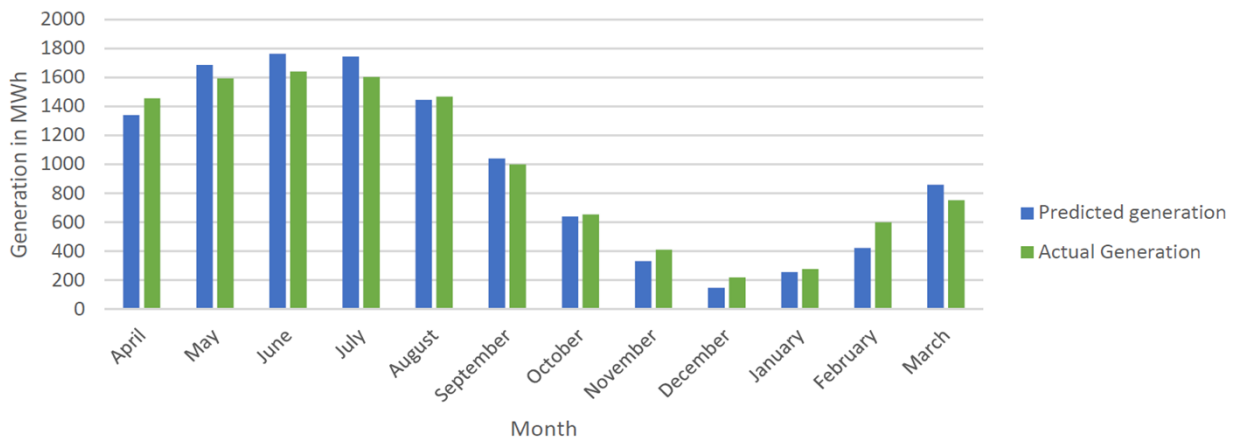
### Solar PV Electricity Generation (kWh)



### Renewable energy generation – Commercial generation

Figures for the 12 months to the end of March show that Toggam Solar generated 11,687MWh slightly above the 11,682MWh that had been predicted. The electricity is sold into the local power grid, and was enough to power around 3,300 homes and offset the carbon dioxide emissions from 1,500 cars.

### Toggam Solar Farm 2017/18 Electricity Generation



### Future of Renewable Energy Projects

The Feed-In Tariff which has helped to support the uptake of renewable power generation will be phased out by 2019. However, there are still opportunities for installing viable

renewable energy installations on both Council and commercial properties; due to a reduction in installation costs, the continuation in the renewable heat incentive and projected increases in utility costs.

## Commercial vehicle fuel use and emissions

**Target:** to be reviewed in 2018/19

**Baseline Year:** 2010

### Commercial fleet fuel use in baseline year

West Suffolk total	620,442 litres
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### 2017/18 performance

West Suffolk total	571,796 litres
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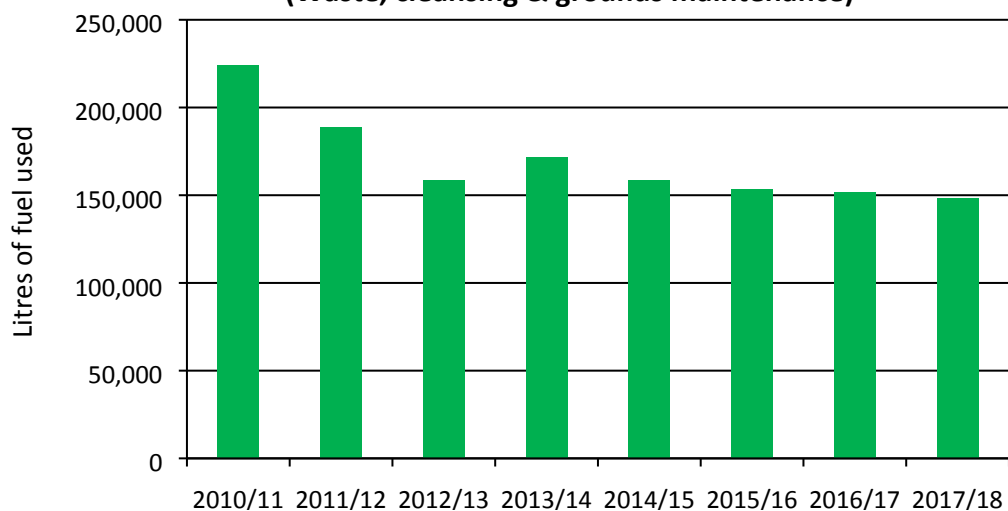
#### Comments

During 2017/18 the Councils' commercial vehicle use has continued to grow. These vehicles deliver statutory and non-statutory operations and include refuse trucks or road sweepers, grounds maintenance vehicles, Petrol or Diesel bought using fuel cards, and industrial mobile machinery.

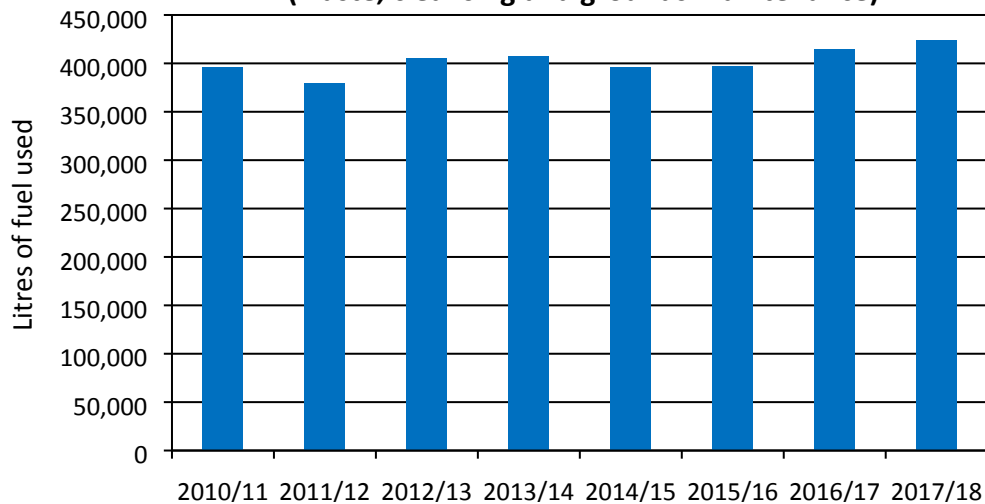
The growth in demand for grounds maintenance and skip hire services have supported the purchasing of additional vehicles and resulted in a rise in emissions. Although fuel purchased at external garages makes up a small proportion of total fuel consumption, this has decreased by 83% compared to 2016/17.

We will be reviewing the opportunities to reduce emissions arising from commercial vehicle use to inform future targets and action plans.

**FHDC - Commercial fleet fuel use  
(Waste, cleansing & grounds maintenance)**



**SEBC - Commercial fleet fuel use  
(waste, cleansing and grounds maintenance)**



## Business mileage

**Target:** to be reviewed in 2018/19

**Baseline Year:** 2014

### Business vehicle passenger travel in baseline year:

West Suffolk total	677,073 miles
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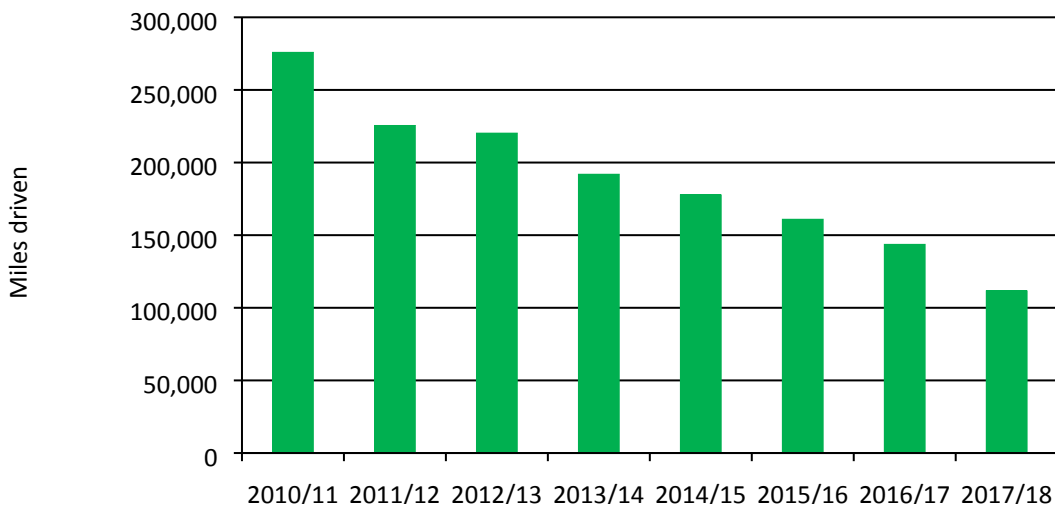
### 2017/18 performance

West Suffolk total	485,834 miles
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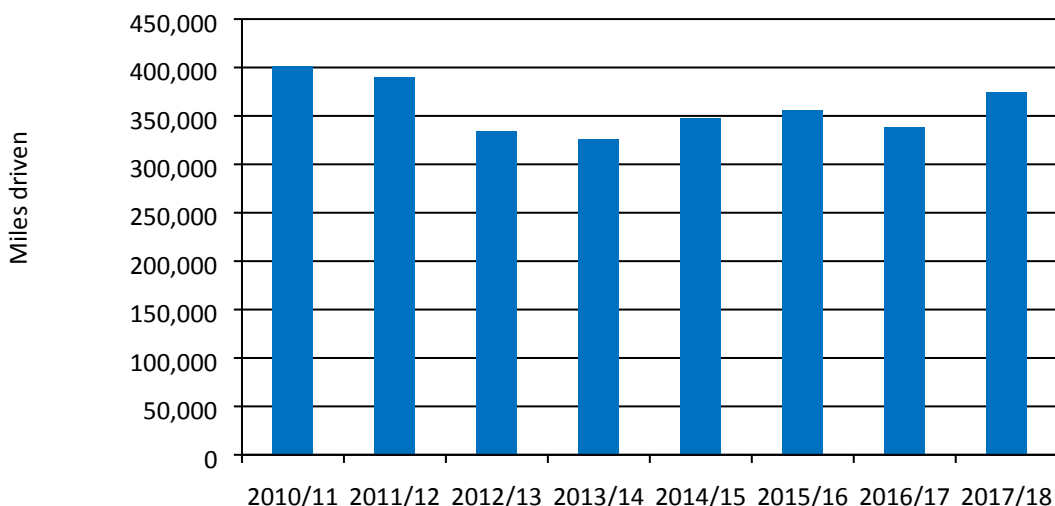
### Comments

Business vehicle passenger travel includes staff mileage claimed through the expenses system, pool car use and other owned or leased vehicles. During 2017/18 staff mileage claimed through the expenses system reduced by 3% from 435,067 miles to 420,780 miles.

### FHDC - Business passenger travel



### SEBC - Business passenger travel



There are facilities in place to reduce the need for officers to travel for meetings including teleconference packages such as Skype. For those who do need to travel locally, pool bikes are available at WSH. In addition, we continue to promote sustainable travel options; for example, we organised a bike servicing event where staff were able to get their bikes serviced by a local company encouraging staff to travel to and from work and meetings safely.

Public awareness of issues relating to air quality has continued to increase especially following the government's announcement in July 2017 to ban conventionally fuelled cars in 2040. There has also been an increase in the use of public charge points outside of West Suffolk House and therefore, over 2018/19 we shall investigate installing new staff charging facilities to allow staff to switch to ultra-low emissions vehicles.

Vehicle procurement is reviewed regularly with specifying lower emissions vehicles being considered in terms of fuel efficiency and emissions as well as the financial business case. Reducing emissions associated with transport use will continue to be a priority during 2018/19.

We will also be reviewing the opportunities to reduce emissions arising from pool cars and staff vehicle use to inform future targets and action plans.

## Water use

**Target:** Reduce the amount of water used in Council activities.

**Baseline year** - 2010 (recalculated June 2014)

### Water use in baseline year

West Suffolk Councils	23,827 cubic metres
ACL	51,076 cubic metres
<b>Total</b>	<b>74,903 cubic metres</b>

### 2017/18 performance

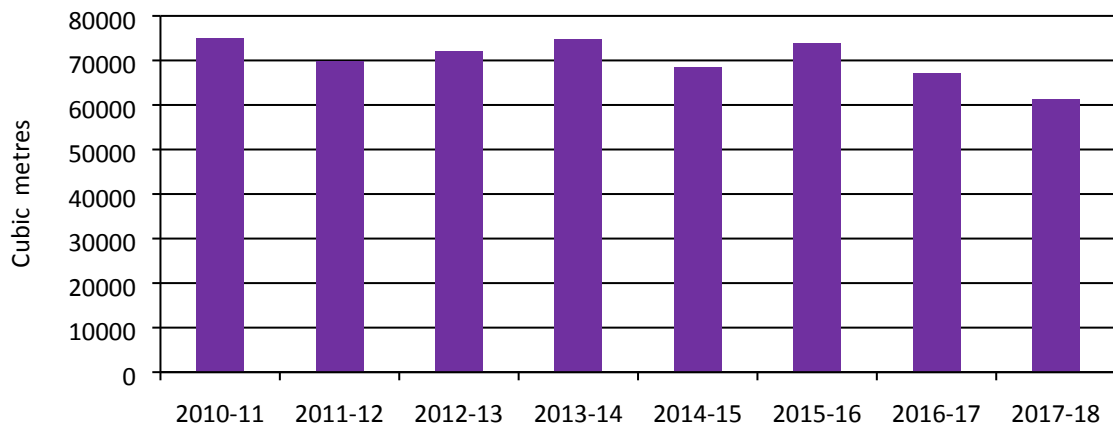
West Suffolk Councils	20,486 cubic metres
ACL	40,774 cubic metres
<b>Total</b>	<b>61,260 cubic metres</b>

### Comments

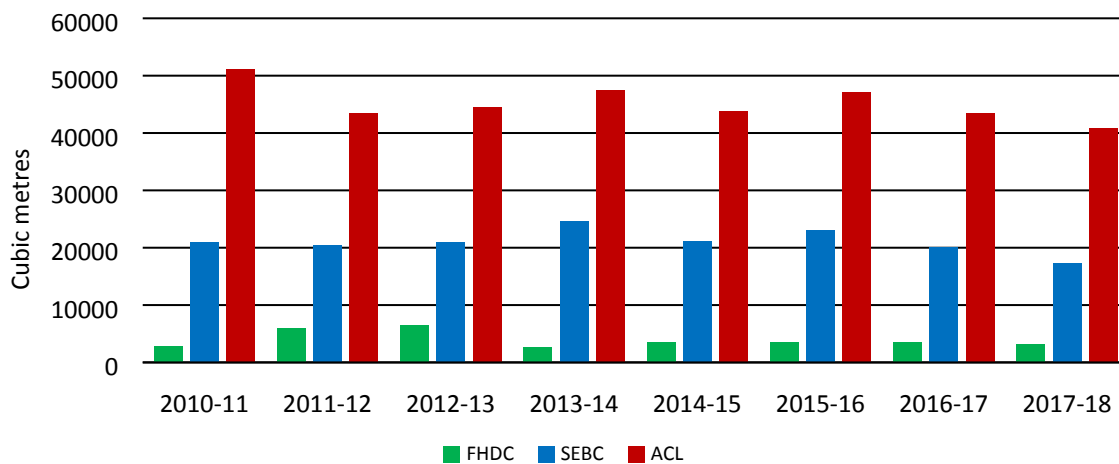
Leisure centre water use decreased by 6.3% compared to the previous year along with a 13.5% drop across property operated by the Councils over the same period. Reduced water consumption at Council sites has been attributed to better understanding of usage patterns since the installation of automatic metering (AMR) and less requirement for watering of parks.

Using the AMR data, we are able to monitor water consumption of our assets with greater detail focusing on consumption outside of normal working hours.

**Total water use**



**Water use by organisation**



## Corporate waste

**Target:** Recycle/Reuse/Recover 50% or more of each waste stream where safe to do so.

**Baseline year - 2010**

- 10 waste streams 50% recycled.
- 6 waste streams with potential to increase the recycling rate to 50% or above.
- 7 waste streams are subject to safe disposal only.

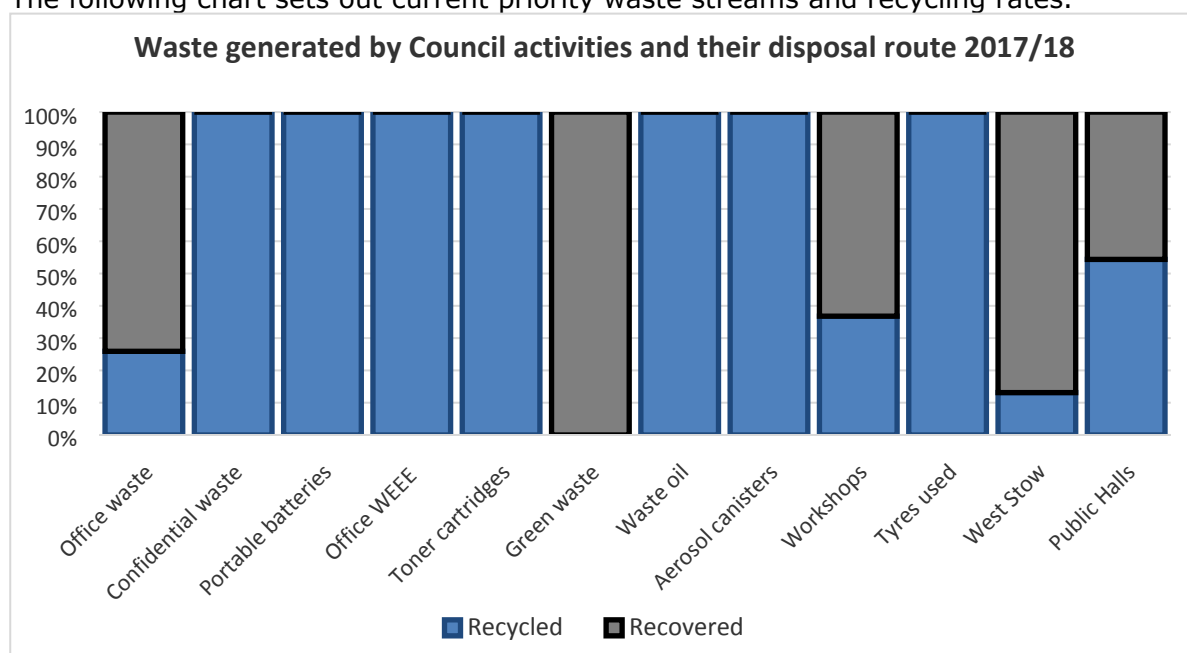
**2017/18 performance**

- 7 waste streams 100% recycled.
- 4 waste streams with potential to increase the recycling rate to 50% or above.

### Comments

The Councils continue to ensure legal compliance with respect to the Duty of Care for waste and works to implement new systems and facilities to increase recycling rates of waste generated by our activities.

The following chart sets out current priority waste streams and recycling rates.

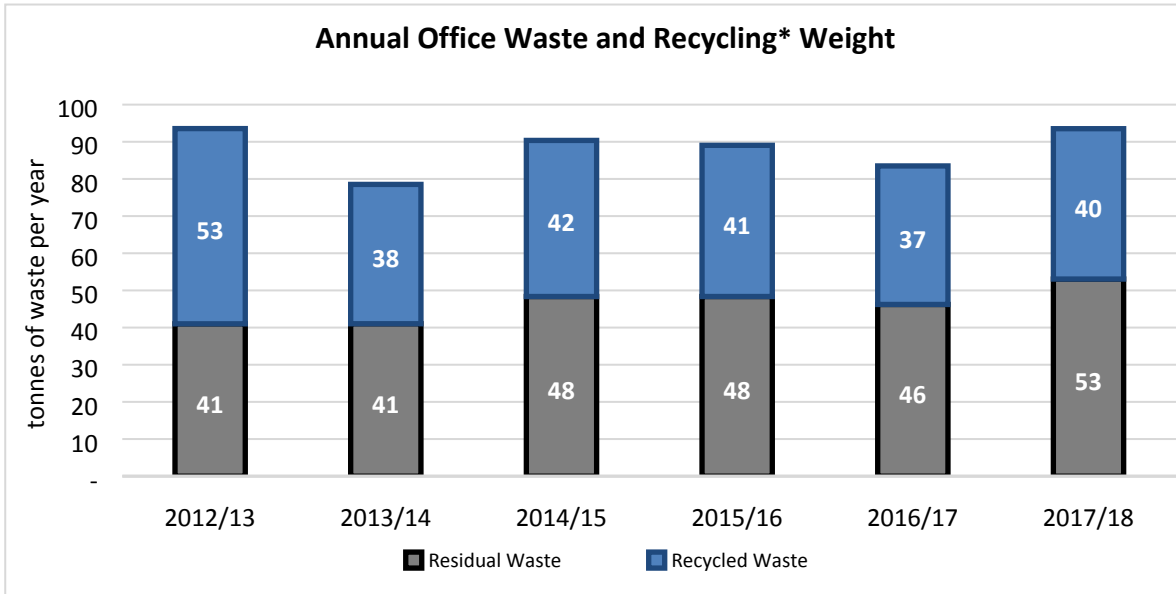


### Office Waste Streams

During 2017/18, we undertook a number of investigations to understand office based waste streams better. A waste audit of West Suffolk House helped us to develop tailored communications. This was followed up by the production and use of an in-house educational video, updated bin signage and intranet updates. Potential sources of contamination (blue paper towel, paper cups, food waste and soft plastics) were identified as target materials and included in the communications.

The chart on the next page shows the annual proportions of recycled and residual waste from office facilities – Note - *\*Office recycling incorporates: office recycling, confidential waste, portable batteries, office WEEE and toner cartridges.* In 2017/18, the total amount of waste created was 93 tonnes with residual waste accounting for 53 tonnes and recycled waste 40 tonnes. The rise in residual waste is an increase of 12% on the previous year.

The proportion of total waste recycled has decreased from 44.65% to 43.27%. We believe that office reorganisation and the need for staff to dispose of files and documents may have impacted on the office waste and recycling weights.



In 2018/19, we plan to continue the focus on improving office waste recycling working in other offices and also investigate waste streams from parks.



## Biodiversity and parks

**Target:** To maintain or increase the number of Green Flag accredited sites.

### Baseline:

Park performance against Green Flag criteria:

- Achieve Green Flag status at four parks in West Suffolk

### 2017/18 performance

The following sites successfully retained Green Flag accreditation during the period:

1. Abbey Gardens
2. Nowton Park
3. East Town Park
4. West Stow.

In 2018/19, we are aspiring to achieve Green Flag status for Aspal Close Nature Reserve, Beck Row and Brandon Country Park.

### Ongoing Biodiversity and Natural Environment Programmes

#### Aspal Close Nature Reserve –

Suffolk Wildlife Trust were commissioned to undertake extended phase 1 habitat surveys to map and understand protected species distribution; species include – Breckland Thyme, Sickle Medick, Bur Medick and Hoary Cinquefoil.

In 2017/18 habitat improvements were undertaken to accommodate the translocation of reptile species and protected plant species from an adjacent development. The plants survived the summer and are doing well (Sand Catchfly and Bee Orchid). The bare ground is slowly being colonised naturally by Breckland species and will be monitored on an annual basis.

There are approx. 15 hectares of grassland on the reserve which will be subject to a new form of management in 2018/19. This will minimise disturbance to the invertebrate and reptile populations and allow for a more flexible approach to the cutting schedule to accommodate late flowering species. Much of the central grassland area is a strong hold for the Wild Rockrose a rarity for Suffolk.

#### Brecks

The Breaking New Ground Landscape Partnership has now been successful in obtaining £151,100 in stage 1 funding from the Heritage lottery for a new scheme entitled 'Brecks Fen Edge and Rivers'.

This initiative will, if successful during stage 2, include a number of projects to improve the watercourses in the Brecks area.



## **Environmental compliance**

**Target:** No incidents leading to formal action being taken by regulatory bodies

**Target date:** Ongoing

**Baseline:** 100% legal compliance for our operations

### **2017/18 performance**

The Councils continued to ensure effective compliance with environmental regulations.

There was one significant issue, a fuel spill following an incident in January 2018 at the Western Way Depot that required reporting to the Environment Agency (EA). However, this did not constitute any formal action being under taken by a regulatory body.

In 2018/19, we intend to review our internal auditing processes to ensure ongoing compliance and identify improvements in practice as appropriate.

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Work Programme Update</b>	
<b>Report No:</b>	<b>PAS/FH/18/031</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	27 September 2018
<b>Chairman of the Committee:</b>	Councillor Louis Busuttil Chairman of the Performance and Audit Scrutiny Committee <b>Tel:</b> 01638 810517 <b>Email:</b> <a href="mailto:louis.busuttil@forest-heath.gov.uk">louis.busuttil@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Christine Brain Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:Christine.brain@westsuffolk.gov.uk">Christine.brain@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To update members on the current status of its Work Programme, attached at Appendix 1.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that:</b>  <b>1) Members review and <u>note</u> the current status of its Work Programme for 2018-2019.</b>  <b>2) Members are asked to identify potential topics for future scrutiny on service performance.</b>	

# Performance and Audit Scrutiny Committee Work Programme

## (Forest Heath District Council)

Description	Lead Officer
<b>28 November 2018 (Time: 5.00pm)</b>	
<b>Informal Joint Meeting (Hosted by Forest Heath District Council)</b>	
Mid-Year Internal Audit Progress Report 2018 - 19	Service Manager (Internal Audit)
2018-2019 Performance Report – Quarter 2	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Monitoring Report – September 2018	Senior Business Partner (Resources and Performance)
Building Control – Improvement Plan (Update)	Assistant Director (Planning and Regulatory)
Work Programme Update	Democratic Services Officer
Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan	Assistant Director (Resources and Performance)
<b>Forest Heath Specific Reports</b>	
Mid-Year Treasury Management Report and Investment Activity (April – September 2018)	Service Manager (Finance and Performance)
<b>31 January 2019 (Time: 5.00pm)</b>	
<b>Informal Joint Meeting (Hosted by St Edmundsbury Borough Council)</b>	
2018-2019 Performance Report - Quarter 3	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Monitoring Report – December 2018	Senior Business Partner (Resources and Performance)
Ernst and Young – Certification of Claims and Returns Annual Report (2017-2018)	Assistant Director (Resources and Performance)
Ernst and Young – External Audit Plan and Fees 2018-2019 and 2019-2020 Indicative Fees	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer
Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan	Assistant Director (Resources and Performance)
<b>Forest Heath Specific Reports</b>	
Treasury Management Report 2018-2019 Investment Activity -(April to December 2018)	Service Manager (Finance and Performance)
Treasury Management Policy Statement and Investment Strategy 2019-2020 and Treasury Management Code of Practice	Service Manager (Finance and Performance)

# Informal Joint Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title of Report:</b>	<b>Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan</b>	
<b>Report No:</b>	<b>PAS/FH/18/032</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	27 September 2018
<b>Portfolio holder:</b>	Councillor Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Greg Stevenson Service Manager – Finance and Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:Gregory.stevenson@westsuffolk.gov.uk">Gregory.stevenson@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2019/20 and sustainable budget in the medium term.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that members consider and <u>note</u> the approach and timescales for the 2019/2020 budget setting process and medium term plans as we head in to the new West Suffolk Council.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>Engagement with Leadership team (LT), Portfolio Holders and staff will take place during this budget process</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>Other approaches could be proposed and considered by members.</li> </ul>		
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Whilst it should be stated that this is an unlikely event there is a requirement under The Local Government Finance Act 1988 (S114) - for the Chief Finance Officer to report to councillors if there is or is likely to be an unbalanced budget.	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No significant implications anticipated, however further consideration will be given as part of the implementation of any service changes.	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Lack of approach results in an unsustainable 2019-20 budget for West Suffolk	Medium	Approval of the proposed approach set out in this paper	Low
Savings/income projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low
The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse changes in the assumptions, for example changes to the provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low

100% Business rates Retention implementation prior to 2019/20 and rules therein.	Low	Constant monitoring of guidance issued and reflection in assumption	Low
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		<a href="#">Shadow Executive Agenda 17 July 2018</a> – Item 5 West Suffolk Council – Setting the Strategic Context for the Development of the 2019/2020 Budget and Medium Term Financial Plans  Informal Joint PASC – Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium term Plan (25 July 2018)– Report No: <a href="#">PAS.FH.18.023</a>	
<b>Documents attached:</b>		None	

## **1. Key issues and reasons for recommendation(s)**

- 1.1 At its meeting of 17 July 2018, Shadow Council considered the recommendations from the Shadow Executive- Cabinet (Report no. EXC/SA/18/002) regarding the adoption of the new West Suffolk Council's Strategic Framework and Medium Term Financial Strategy (supported by the Capital Strategy).
- 1.2 The interaction between the agreed West Suffolk Strategic Framework and West Suffolk Medium Term Financial Strategy (MTFS) continues to be increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of limited resources.
- 1.3 Shadow Council was also asked to support the key principles set out in report EXC/SA/18/002 for the development of the 2019-20 budget and medium term financial plans for the new West Suffolk Council, set out below at 1.4 for ease of reference. Recognising the important role Performance and Audit Scrutiny Committees plays in the development of the budget, it was also agreed that a report be brought to this committee meeting, setting out the proposed approach to achieve these principles.
- 1.4 The approach to setting the 2019/20 budget along with the medium term financial strategy is to follow the below principles;
  - The 2019-20 budget and medium term plans will continue to follow the West Suffolk Councils Strategic Framework (three priorities) and Medium Term Financial Strategy (six themes).
  - The process will take into account the agreed Single Council Business Case in respect of saving proposals and Council Tax harmonisation
  - A simple approach will be followed where, unless there is good reason to do so differently (see next section on proposed approach/review areas), a 1+1=2 approach will be taken (i.e., the two current budgets are added together to form the West Suffolk Council budget)
  - The approach will seek to achieve a minimum 2 year balanced budget for 2019-2021 and will provide confidence in achieving a balanced longer term position
  - The approach will take the opportunity to consider overall Single Council Financial Resilience in our approach (which may include some external support, i.e. Chartered Institute of Public Finance and Accounting - CIPFA)
  - The process will continue to communicate the overall West Suffolk financial challenges and opportunities through the medium term financial strategy to Leadership Team, staff, cabinet and all councillors.



## 2. Proposed Approach

- 2.1 The approach and methodology of constructing the budget and MTFS in order to work to the above principles was set out in report PAS/SE/18/024 – Approach to Delivering a Sustainable Budget 2019-2020 and Medium Term Plan.

## 3. Progress and Budget Assumption

- 3.1 At this stage in the budget and MTFS process there have been a set of adverse trends identified which give rise to an estimated annual budget deficit of £0.5m for 2019/20 and 2020/21 for West Suffolk Council. The major causes of this revision of the plan are:

- The lower growth trend in car parking income as seen in 2018/19 and anticipated to continue into 2019/20.
- The increased cost relating to recycling charge per tonne.
- The estimated impact of revising the pay-line.
- The new business case for Barley Homes.

- 3.2 This budget gap does not include, at this stage, any variation or profile changes in respect to the projects related to delivering our growth agenda or the savings anticipated from moving to a single council. The current expectation is that these projects will deliver to the existing plan.

- 3.3 Having identified these pressures on the delivery of a balanced budget for 2019/20 and 2020/21 the focus is clearly on assessment on areas and assumptions that, if changed, could close this gap. These include:

- Major income stream trends (including ongoing work on Car Parking)
- Cost base assumptions, efficiency trends.
- Assumptions relating to the wider macro environment which require a change in approach.

## 4. Timescales and next Steps

- 4.1 The following high level timetable was supported by the Shadow Executive and considered by Shadow Council recently.

Action	Timescales
Budget preparations following agreed approach	July 2018 – January 2019
PASC report(s) – delivering a sustainable budget update report	28 November 2018
PASC report(s) – delivering a sustainable budget update report	31 January 2018
Member Development Session(s) and briefing(s) – MTFS	January- February 2019
Shadow Executive – 2019-20 Budget and Council Tax setting report	5 February 2019
Shadow Council - 2019-20 Budget and Council Tax setting report	19 February 2019
West Suffolk budget – implementation/go live date	1 April 2019

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# Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title of Report:</b>	<b>Decision Relating to Complaint to Local Government Ombudsman Report</b>	
<b>Report No:</b>	<b>PAS/FH/18/033</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	27 September 2018
<b>Portfolio holder:</b>	Councillor Sara Mildmay-White Portfolio Holder for Housing <b>Tel:</b> 01359 270580 <b>Email:</b> <a href="mailto:Sara.Mildmay-White@stedsbcc.gov.uk">Sara.Mildmay-White@stedsbcc.gov.uk</a>	
<b>Lead officer:</b>	David Collinson Assistant Director (Planning and Regulatory Services) Tel: 01284 757306 Email: <a href="mailto:david.collinson@westsuffolk.gov.uk">david.collinson@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To inform the Committee of the details of a complaint the Local Government Ombudsman received in relation to a Disabled Facilities Grant (DFG).	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  It is <b>RECOMMENDED</b> that the Committee <b>notes</b> the remedial actions taken by the Assistant Director (Planning and Regulatory Services) following the findings of the Local Government Ombudsman and a complaint made to him in relation to the Disabled Facilities Grant.	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li><b>Local Government Ombudsman</b></li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Do nothing. <input type="checkbox"/> Accept the findings of the Local Government Ombudsman (LGO).</li> </ul>	
<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> £200 compensation	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Not to comply with the LGO suggest remedy		Comply with the LGO remedy	Low
Reputational Challenge		Comply with the LGO remedy	Low
<b>Ward(s) affected:</b>			
<b>Background papers:</b>			
<b>Documents attached:</b>		<b>Appendix 1 – Final Decision LGO</b>	

## **1. Key issues and reasons for recommendation(s)**

### **Context**

- 1.1 As Councils, we always endeavour to provide our services to the highest standards, ensuring our customers receive the service they would expect. However, periodically, in a small number of cases, things can and do go wrong and wherever that is the case, we seek to take appropriate remedy to redress the situation.

As part of the balanced scorecard reviews, the Performance and Audit Scrutiny Committee receive reports on the general numbers of complaints and compliments upheld. The Committee also has responsibility for receiving complaints that have been upheld by the Local Government Ombudsman (LGO).

Where someone is dissatisfied with the service provided by the Council, they may submit a complaint which is dealt with through the two step standard corporate process. The first step is that the complaint is considered by the service area about which the complaint is made. If they are unhappy with the response, this will be referred to the Council's legal team (step 2), who will then provide an independent perspective on the matter. If they wish to pursue their complaint further (even if the complaint is upheld by the Council), then they are entitled to refer the matter to the LGO.

Each year, the Council is provided a report by the LGO on the number of complaints it has received and upheld. It should be noted that there is effectively no appeal to an LGO decision, and the associated recommendation.

### **1.2 Summary of Complaint**

- 1.2.1 In 20xx Mr X was recommended for a DFG to meet his essential needs in his home, where his bathroom needed to be adapted into a level access shower. This is normally a straightforward DFG, where the Home Improvement Agency (HIA) would oversee the application process on behalf of the applicant. This has worked well for many residents' over the years, who have benefited from this type of DFG works in their homes.

The HIA initially took on the DFG, and a complaint was made by Mr X at an early stage about how this was being managed. The HIA was unable to proceed with the application, with Mr X refusing to work with them or sign their documentation. The Council did attempt to remedy this situation and made some concessions, in terms of the extent of works and him signing HIA documentation. This was still, however, unsuccessful in terms of the DFG progressing.

Further attempts were made, ostensibly through Council staff, to progress the application towards works and completion. Unfortunately Mr X continued to make complaints, and any trust Mr X had with officers of the Council broke down.

With the DFG application delayed, Mr X complained to the LGO having exhausted the Council's complaints process. The LGO decided that the Council was at fault and recommended that in order to rectify matters the Council was to procure a contractor to carry out the works, outside the scope of the DFG process and legislation. Reluctantly, and being aware of the breakdown in trust between Mr X and the Council, the Council complied with the LGO recommendation and the majority of works were completed. Unfortunately Mr X was not satisfied with the works undertaken by the contractor and this eventually led to the contractor leaving site. Mr X also refused the Council reasonable access to his home in order to properly assess the quality and extent of the works so the DFG could not be signed off as satisfactorily completed.

Mr X made a further complaint leading to the LGO arranging a meeting between Social Care and the Council, in December 2017, at which officers assumed a way forward had been agreed. The officer for the LGO suggested that an offer of a payment by the Council for Mr X to employ his own contractor, to carry out necessary works agreed by Social Care, would resolve matters and absolve the Council of any ongoing duty in respect of the DFG. It was at this meeting that Social Care advised both the Council and the LGO that Mr X suffers from Paranoid Personality Disorder (PSD). He is, however, considered by Social Care to have capacity to make his own decisions and manage his affairs. The Council felt the suggested resolution to the complaint made to the officer of the LGO was the best way forward and subsequently made a very reasonable offer, through the LGO, to cover the final snagging works and any inconvenience that may have been suffered to Mr X. Unfortunately it would appear that the relationship between Mr X and a contractor he had hoped to engage to undertake the works had failed so the LGO determined that such an offer would no longer resolve the situation. When the LGO's final decision was received in August 2018 they found the Council at fault, despite the Council setting out the history behind the complaint and strongly advising that such a resolution has failed in the past. We advised the LGO that we were extremely disappointed with their decision, given the circumstances involved; the fact that we had gone well beyond what is required by the legislation and the personal circumstances relating to Mr X.

The full LGO report (complaint, investigation, finding and recommendation) is given in section 2 below. The required actions are in hand; we have procured an independent surveyor to assess the works required to complete the DFG satisfactorily and to then allow a contractor to be employed to complete any necessary works. We have made the required apology and will arrange for the compensation payment of £200. Mr X will need to agree these actions and work with us to remedy the situation for him, which may not be possible given the history and his condition. The LGO has advised that if Mr X, through his behaviours, does not allow this recommendation to be complied with then they will close their case. We expect the LGO to comply with this in practice.

The DFG is an important grant for many disabled residents' to live independently in their homes. It is, therefore, very frustrating that we have been unable to deliver this DFG in the same way that has helped so

many other residents' previously. The relevant service has done everything possible to complete this particular DFG, and we will attempt to do so following this latest recommendation.

**2. Additional supporting information**

- 2.1 LGO complaint/report attached as **Appendix 1**.

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23 August 2018

**Complaint reference:**  
15 018 979**Complaint against:**  
Forest Heath District Council

## The Ombudsman's final decision

Summary: Mr X complains about the way the Council dealt with his disabled facilities grant works and the complaints he made about this. The Ombudsman finds the Council was at fault and caused Mr X distress. It should identify an independent person to arrange and oversee the remedial works, and pay Mr X £200.

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## The complaint

1. The complainant, whom I shall refer to as Mr X, complains that when the Council arranged a bathroom adaptation for him, it did not ensure the contractor completed the work satisfactorily. It also failed to respond to his complaints about this.
2. Mr X says the contractor left him with an unsanitary and unsafe bathroom. He says someone offered to do the most urgent work and the Council has not paid them for this.

## The Ombudsman's role and powers

3. We investigate complaints of injustice caused by 'maladministration' and 'service failure'. I have used the word 'fault' to refer to these. We cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. We must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3), as amended*)
4. If we are satisfied with a council's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

## How I considered this complaint

5. I considered information from the complainant and from the Council.
6. I sent both parties a copy of my draft decision for comment and took account of the comments I received in response.

## What I found

### Background

7. Disabled Facilities Grants (DFG) are provided under the terms of the Housing Grants, Construction and Regeneration Act 1996. Councils have a statutory duty to provide grant aid to disabled people for a range of adaptations.

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8. Usually, responsibility for the works lies with the person who will enter a contract with the contractor. Councils usually have no responsibility for the standard of work even if it approves the contractor. The contract should provide the person with a means of recourse should there be problems.
  9. Home improvement agencies (HIA) provide support to people with managing the grant application and works.
  10. Eligible works should be completed within 12 months of a DFG being approved. This means the adaptation should be fit for purpose. Councils can, at their discretion, extend that period if new works arise and may re-determine applications if circumstances change.
  11. In February 2015, the government withdrew its guidance “Delivering Housing Adaptations for Disabled People: A Good Practice Guide”. It replaced it with “Home adaptations for disabled people: a detailed guide to related legislation, guidance and good practice” published by the Homes Adaptations Consortium in 2013.
  12. This non statutory guidance stresses the importance of close links between housing and social care authorities to ensure local people receive the most suitable help. The guidance says even where the same authority delivers these services it is important to ensure joint protocols and agreements exist to ensure an effective service.
  13. Councils have a statutory duty to make reasonable adjustments to practices that cause disabled people disadvantage. Where a disabled person would be put at substantial disadvantage without additional help, councils should take reasonable steps to avoid that disadvantage. (*Equality Act 2010 sections 20 & 29*)

## **What happened**

### **Mr X’s previous complaint**

14. Mr X is severely disabled; this affects his mobility, communication and his ability to deal effectively with others. In 2012, an occupational therapist recommended an adaptation to his bathroom to provide a level access shower under the DFG scheme. A home improvement agency (HIA) helped Mr X but his relationship with the HIA soon broke down. The Council approved his application in June 2014 and helped him find suitable contractors to do the work. The contractors withdrew and the Council told Mr X he must submit quotes from new contractors.
15. The Council’s offer of a Disabled Facilities Grant expired in February 2015 as the works had not begun. It asked Mr X to make a new application.
16. The Council received a new Occupational Therapy (OT) recommendation for Mr X’s bathroom adaptations in March 2015 with minor alterations to the original. Mr X wanted an HIA to help with his application.
17. The HIA said Mr X had refused to sign the standard agreement it required. In 2012 the Council had persuaded the HIA to waive the agreement, but it would not agree another waiver. Mr X asked the Council to find a contractor for him as his disability prevented him from doing this successfully but the Council declined as it had no power to enter into a contract on Mr B’s behalf.
18. In September 2015, Mr X complained to the Ombudsman and we recommended the Council:
  - apologise to Mr X for the avoidable distress and trouble he was caused;

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- identify and secure quotes from appropriate companies to complete the adaptations to Mr X's bathroom and forward the details to him for approval;
  - offer Mr X assistance to complete any outstanding DFG application documents.

### **Later events**

19. The Council identified a contractor and met with it to discuss the works. It wrote to the contractor to advise it had approved the grant based on the costs the contractor submitted. It said the contractor was required to notify Mr X and the Council officer dealing with the case if:
  - Any unforeseen works are found.
  - The works are more extensive than estimated.
  - For any reason the final cost is higher than originally estimated.
20. The schedule of works agreed stated that works were to be "in strict accordance" with the OT recommendations. It also specified that all areas disturbed should be made good. The Council said if works were not agreed as eligible for grant, no payment would be made towards the cost of those additional works. It also advised the contractor that it would not be able to inspect after the works and would pay on receipt of photographic evidence. It asked the contractor to get Mr X's signature on a completion certificate, but said to complete the form and advise if this caused unnecessary problems.
21. The contractor met with Mr X who agreed to the arrangement, and in early December 2015, the work began. I have seen no evidence of an agreed contract.
22. On 24 December 2015, the contractor left the work unfinished. They said Mr X had been difficult to work with, changing his mind on every detail and demanding changes the contractor felt were neither relevant or necessary. Mr X disputes this. The contractor said they would not return. They advised the Council there was some outstanding work covered by the schedule of works.
23. The contractor told the Council it had completed some extra work agreed with Mr X, including additional tiling, but had not completed all the work it had agreed to do outside of the grant.
24. The contractor said Mr X had also raised some issues about the work, which they had not dealt with.
25. Mr X contacted the Council when the offices reopened after Christmas. He said the outside drainage was not satisfactory and there were several problems with the bathroom including a leak from the toilet waste pipe. He asked the Council to withhold payment. A contractor known personally to Mr X (Mr Z) carried out some of the work that Mr X said needed doing. Mr X sent the Council a list of what Mr Z had done.
26. Mr Z also noted the floor was not draining away properly in the shower and the tiling had not been started in the right place so there was a 20mm difference.
27. Mr X complained to the Council and asked it to pay Mr Z for the work already completed and to agree to pay Mr Z to complete the remaining work. The Council agreed to inspect the works but problems arose with arranging this and Mr X would not allow access.
28. An officer from the Council visited Mr X in April to see what work was outstanding. While the visit began well, it broke down. Mr X agreed to further inspection, but

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would not allow those dealing with the issue to visit because his relationship with those officers had broken down. Eventually, the relationship between Mr X and the Council broke down completely, and he complained to us.

29. Council records show when the contractor consulted with its Building Control team there had been some confusion about connecting the internal work to the outside drainage. As a result, the external drainage was unsatisfactory and needed substantial alterations to make it right. At the time, the Council noted that it might need to remedy the drainage in future. It adjusted the payment to the contractor to take account of the variations which had caused the problem.
30. In May 2016, the Council said it would pay for some of the plumbing work and the external drainage work. It said it would do this if Mr X agreed enough access for visits and inspections.
31. The Council says that, due to the breakdown in communication with Mr X, it could not do the remedial work it had agreed to. So, Mr X's bathroom and outside drainage remains unfinished over two years after the contractor left. Although Mr X can use the bathroom, the drainage is not fit for purpose and there are significant questions about whether the flooring and toilet are fit for purpose.
32. The Council suggested paying Mr X £2,500 to complete the works plus a further sum to cover any administrative help he needed. This would enable Mr X to engage his own contractor (Mr Z) to carry out the work. However, by this time, Mr X was not sure whether Mr Z would agree to do any more work for him.
33. The Council told me it does not have any concerns about Mr Z's assessment of the work needed; it does not dispute the inadequate quality of the work. However, it does not agree it is at fault in the way it dealt with this or that it is responsible for the cost of putting it right.
34. Mr X and the Council have provided a list of the work they say needs doing, and quotes for this. The total estimated cost of the remedial works (assuming all are necessary) is £3,402.45. However, these quotes are now out of date and that may affect the cost. This suggests the work needed is significantly more extensive than the Council's original financial offer would cover.
35. Mr X also says his porch was damaged when the contractor dug under its supports and cut the main framework during the external drainage works. This has only recently become apparent. He says it cannot be repaired and needs replacing.
36. Mr X says he agrees to access for necessary inspection and to complete the works.

**Was there fault which caused injustice?**

37. The Council had a duty to ensure the works were delivered and fit for purpose. When Mr X did not get the support he needed from the HIA, the Council arranged and managed the works. This was helpful, but in doing this it needed to ensure the works were properly completed and fit for purpose. It was at fault because it failed to adequately manage the contractor.
38. Although the Council put in place measures to ensure the contractor worked to the OT's specification, the contractor failed to alert the Council to variations. The contractor did not complete the works satisfactorily either in terms of the specification or in terms of quality. This was evident when Mr X first contacted the Council reporting leaks, exposed wiring and problems with drainage.

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39. At an early stage Mr Z noted the floor was not draining properly, and he repaired superficial damage to the porch. This suggests that Mr X's belief that the porch was more substantially damaged is not without good grounds.
40. Due to his medical conditions and disabilities, Mr X does not always respond in the most helpful way and this causes him to be disadvantaged; the Council cannot always avoid this. Nevertheless, it needed to address the problems with the works. The Council was at fault in the way it dealt with the problem which left Mr X with ongoing issues around a bathroom that was intended to improve his life. This caused him significant and avoidable distress.
41. The Council was slow to respond effectively to his complaints and there was also a delay in it providing me with some information I asked it for. It was at fault here and this caused Mr X more distress.
42. The Council's offer of £2,500 for Mr X to arrange remedial works himself was unlikely to be enough to pay for the remedial works which potentially total almost £3,500. Additionally, if Mr X could have arranged his own contractor and overseen the works, the Council would not have needed to do this for him in the first place.

### **Agreed action**

43. To put right the injustice it caused, I recommended the Council:
- apologise to Mr X
  - pay Mr X £200 for the distress it caused him.
  - identify a suitably qualified person, independent of the Council, to manage the remedial works including:
    1. identifying the work needed, besides the external drainage works, to meet the OT specification without further variation;
    2. ensuring the bathroom and associated drainage and plumbing affected by the original works is fit for purpose;
    3. ensuring damage to the porch is inspected and, if likely to be due to the original grant works, repaired to ensure it is fit for purpose;
    4. gathering quotes;
    5. arranging works;
    6. ensuring Mr Z is paid for the work he completed;
    7. arranging building control certification; and
    8. overseeing the entire process to conclusion.
44. The Council has agreed to these actions and has already identified an independent person.
45. The independent person will be responsible for all decisions relating to the remedial works. Mr X has already agreed the OT specification and therefore only needs to agree options such as the colour of flooring. There should be no variations to items once agreed.
46. If the Council engages a suitable person who carries out the tasks above satisfactorily, but Mr X's actions mean the work cannot be carried out, we are likely to consider that it has made sufficient effort to resolve the problem.

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47. The Council should send us a copy of the apology and evidence of the payment to Mr X within one month of the final decision. The Council has already provided details of the independent person.
  48. The Council should submit evidence of works completed and amounts paid to Mr Z and any other contractor, to the Ombudsman within three months of the final decision.

### **Final decision**

49. I have completed my investigation and uphold Mr X's complaint that when the Council arranged a bathroom adaptation for him, it did not ensure it was satisfactorily completed. It also failed to respond to his complaints about this.

### **Investigator's decision on behalf of the Ombudsman**