

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 27 January 2022** at **5.00 pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds, IP33 3YU

Present **Councillors**

Chair Ian Houlder

Vice Chair Karen Richardson

Nick Clarke

James Lay

Victor Lukaniuk

Robert Nobbs

Andy Neal

Peter Thompson

Cliff Waterman

Phil Wittam

In attendance

Sarah Broughton, Cabinet Member for Resources and Property

93. **Substitutes**

No substitutions were declared.

94. **Apologies for absence**

Apologies for absence were received from Councillor Elaine McManus.

Councillor John Augustine was also unable to attend the meeting.

95. **Minutes**

The minutes of the meeting held on 18 November 2021 were confirmed as a correct record and signed by the Chair.

96. **Declarations of interest**

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

97. **Public participation**

There were no members of the public in attendance on this occasion.

98. **Ernst and Young - Auditor's Annual Report 2020 to 2021 (Report number PAS/WS/22/001)**

The Committee received this report, presented by Andrew Paylor from Ernst and Young (EY), which updated Members on the outcome of the annual external audit of the 2020 to 2021 financial statements by Ernst and Young, as detailed in their Auditor's Annual Report for the year ended 31 March 2021, attached as Appendix A.

The Auditor's Annual Report was for information and brought together all of the Auditor's work over the year, including commentary on West Suffolk's Value for Money (VFM) arrangements, as well as their opinion on the 2020 to 2021 financial statements.

It was explained to the Committee, that the audit of the financial statement had been completed on 15 December 2021 and EY had issued their opinion that the account gave a true and fair view of the financial position of the Council. They had not yet issued a completion certification, as they still needed to perform the procedures required by the National Audit Officer on the Whole of Government Accounts (WGA) submission. This was due to a delay by the Government in releasing the WGA submission pack and guidance for 2020 to 2021.

The Auditor's Annual Report also contained the proposed final fee for the audit, which incorporated the original planned scale fee of £55,050, along with proposed further charges for both the scale fee and additional work required over the course of the audit. The final fee would be subject to ongoing discussions with, and agreement by, the Director (Resources and Property).

Members considered the report and referred to page 28 of the agenda papers which referred to the Valuation of the Council's Solar Farm. Members asked for assurances that the Council continued to receive an adequate return on this investment. The Director (Resources and Property) explained that the Solar Farm was exceeding the original benchmark predictions which had been set out within the original Business Case. In addition, the Council was also receiving a competitive price for the sale of the electricity at auction. In response to a further question from Members, the Director also confirmed that the costs associated with the de-commissioning of the Solar Farm had also been included within the original Business Case.

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

99. **Delivering a Sustainable Medium-Term Budget (Report number PAS/WS/22/002)**

The Committee received this report which explained that this report followed on from the November meeting of the Performance and Audit Scrutiny Committee and provided an updated position on the process and approach to set the Council's 2022 to 2023 budget and the principles and challenges facing in achieving this.

This report provided a further update on assumptions and anticipated savings and initiatives proposed or delivered to-date, to be able to deliver a sustainable and balanced budget for 2022 to 2023. This would not only deliver services, but also the strategic vision and priorities of the Council, whilst meeting future challenges. This robust approach would enable the authority to invest in initiatives to meet the Council's goals around areas such as the environment and managing growth, whilst helping increase the health and economic wellbeing of its communities.

The report set out the scale of the financial challenge for the Council for 2022 to 2023 and in the medium-term and the plans to address those financial challenges in enabling the Council to meet its statutory responsibility to set a balanced budget for the forthcoming year. The report and its proposals would feed into the main budget setting report due to be considered at Council on 22 February 2022.

The report included proposals and key budget assumptions, which were set out in Section 2 of the report. In addition to reviewing the income assumptions, there had also been a review of the fees and charges pricing used in the budget and medium term. The fees and charges that were changing and met the requirements for reporting, were detailed in Appendix A of the report.

The net impact of the key assumption changes were set out in Table 1 of the report. The changes gave rise to a balanced position for 2022 to 2023. There was a £1.16 million budget gap for 2023 to 2024, a £1.71 million budget gap for 2024 to 2025 and a £2.98 million budget gap for 2025 to 2026 (which were cumulative budget gaps).

A draft West Suffolk 10 Year Capital Programme was attached at Appendix B to the report. This programme took into consideration the previously agreed capital strategic projects, such as the Innovation Units, Barley Homes and Western Way Development, alongside the operational requirements and improvements/initiatives linked to service delivery such as our operational vehicle replacements and asset management requirements.

The Performance and Audit Scrutiny Committee considered the report and the key budget assumptions in detail and asked questions to which responses were provided. In particular, the Committee discussed the:

- Proposed changes in Fees and Charges for 2022 to 2023, particularly in relation to the replacement costs of wheeled bins and also in relation to the activities and facilities in West Suffolk's parks and open spaces.
- Financial risk mitigation to the Council, associated with the investment for the Western Way Development.
- Operation of Barley Homes as a commercial entity and the provisional dividend.

The Committee did not raise any issues to be brought to the attention of Cabinet.

Councillor Phil Wittam then moved the recommendation, this was duly seconded by Councillor Robert Nobbs, and with the vote being unanimous, it was:

Recommended:

That the Cabinet be recommended to include the proposals, as detailed in Section 2 and Table 1 at paragraph 3.4 of Report number PAS/WS/22/002, in the 2022 to 2023 budget.

(Councillor Peter Thompson joined the meeting at 5.30pm, during the discussion and prior to the voting on this item)

100. **Treasury Management Report (December 2021) (Report number FRS/WS/22/001)**

The Committee received this report which set out the Treasury Management Report as of 31 December 2021. The report was part of the Council's management and governance arrangements for Treasury Management activities under the CIPFA Code of Practice on Treasury Management. It provided a comprehensive assessment of activities from 1 April to 31 December 2021.

It was reported that the Council held investments of £76,500,000 as at 31 December 2021. Interest achieved in the first nine months of the financial year, amounted to £53,087 against a budget for the period of £33,750.

The report also included a summary of the borrowing activity during the period; borrowing strategy and sources of borrowing; borrowing and capital costs – affordability; borrowing and income – proportionality; borrowing and asset yields; Prudential Code, Treasury Management Code and Minimum Revenue Provision (MRP) consultation and market information.

The Financial Resilience Sub-Committee scrutinised the report on 17 January 2022 and asked questions to which responses were provided. In particular, detailed discussions were held on the recent £10 million loan secured by the Council in December 2021; what happened to any interest payable "underspend"; sort clarification on the meaning of the "certainty rate" and whether the Council regularly reviewed looking at paying off the long standing £4 million loan.

The Performance and Audit Scrutiny Committee considered the report and asked questions to which responses were provided. In particular, discussion were held on borrowing activity, asset yields and held investments. The proposed Government changes to capital finance regulations were also discussed, in respect of Minimum Revenue Provision (MRP), which was due to take effect from the 2023 to 2024 financial year. The Director (Resources and Property) further explained that these proposed changes were currently out to consultation and the closing date for responses was 8 February 2022, to which the Council would be submitting a response. Further detail around these potential changes would also be provided to Members as part of the forthcoming finance briefings.

At the conclusion of the discussions, the Committee **noted** the contents of the Treasury Management Report for December 2021.

(Councillor Andy Neal left the meeting at 6.15pm, during the discussion on this item)

101. **Financial Resilience - Strategy Statement 2022 to 2023 and Treasury Management Code of Practice (Report number FRS/WS/22/002)**

The Committee received this report which sought approval of the Financial Resilience Strategy Statement 2022 to 2023 (Appendix 1) and the Treasury Management Code of Practice (Appendix 2).

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice required that, prior to the start of each financial year, the Council formally approved a Treasury Management Policy Statement and Investment Strategy setting out its Treasury Management Policy and Strategy for the forthcoming year.

The report also included additional supporting information on treasury advisors; borrowing strategy; investment strategy counterparty ratings and interest rate projections.

The Financial Resilience Sub-Committee had scrutinised the report on 17 January 2022 and asked questions to which responses were provided. In particular, discussions had been held on the borrowing strategy and authorised limits and the value of the Mildenhall Hub.

The Performance and Audit Scrutiny Committee considered the report and asked various questions relating to the setting of net costs, capital and revenue limits and the borrowing strategy, to which responses were provided. In particular, the Committee discussed the Treasury Management Code of Practice (Appendix 2) and referred to page 24 of the Code and the section which related to '**Use of External Brokers/Advisors/Fund Managers**'. The Committee expressed some reservations around the wording used within that section, in that the Council '*will*' employ the services of other organisations to assist it in the field of treasury management. The Committee recommended that this word be replaced with '*may*', so that the Council had the flexibility around the use of services of other organisations.

Councillor Phil Wittam then moved the recommendations (as amended), these were duly seconded by Councillor James Lay and with the vote being unanimous, it was

Recommended: That

- 1. The Treasury Management Strategy Statement 2022 to 2023 as set out in Appendix 1 to Report number: FRS/WS/22/002, be approved; and**
- 2. The Treasury Management Code of Practice, as set out in Appendix 2 to Report number: FRS/WS/22/002, be approved, subject to an amendment within the section of**

the Code of Practice entitled 'Use of External Brokers / Advisors / Fund Managers', with the removal of the word 'will', to be replaced with the word 'may', to ensure that the Council has the flexibility on the use of services of other organisations.

102. Work programme update (Report number PAS/WS/22/003)

The Committee received this report which updated members on the current status of its rolling work programme of items for scrutiny during 2022-2023 (Appendix 1).

The Committee considered its rolling work programme and there being no decision required, the Committee **noted** the update.

103. 2021-2022 Performance Report (Quarter 3) (Report number PAS/WS/22/004)

The Committee received this report which set out the Quarter 3 performance and financial outturn position for 2021 to 2022 up to 31 December 2021, along with the impact of COVID-19, next steps and principles for future financial planning.

Since the outbreak of COVID-19 in the UK, a number of events had occurred which had had a significant impact on the Council's financial position. Some of these had been restrictions imposed by Government that had affected the Council's investments and services and others had been announcements of Government financial support.

On 21 December 2021, central Government had announced a new set of funding for business grants to the hospitality and leisure sector. This funding was split between a national scheme (up to £6,000 per business) and a new amount of Additional Restrictions Grant funding where criteria was set at the district level. The amount of funding and definition of the national scheme had yet to be clarified.

The Council had played its part in responding to COVID-19 in supporting businesses and the most vulnerable as well as running essential services. The monthly returns, now bi-monthly returns to the Department for Levelling Up, Housing, Communities had detailed the financial impacts of COVID-19, and generally the forecast impacts have remained consistent on a month-by-month basis. The latest submission showed a total impact of £4.3 million (costs of £1.8 million and lost income of £2.5 million). However, it should be noted that these were required to be gross figures and, therefore, an element of the additional costs such as internal staff redeployment, grant funded costs and costs savings have also been factored into the figures.

COVID-19 and the Council's response to it had consequently impacted on a number of our local performance indicators, most noticeably around housing and homelessness, income indicators and the aged debt amount. Within these figures, the income generated by the Council in the current financial year through sales, fees and charges had reduced by £2.5 million, mitigated to a certain extent by the sales, fees and charges compensation from central

government. (Further details of the financial impacts of COVID-19 can be found in Appendix F).

The level of debt over 90 days had been a focus for management during the year. Quarter 3 data showed that this now stood at a total of £978,244. This was an improvement of £68,173 on the Quarter 2 figures. Commercial Property debt made up £670,678 (68 percent) of this position and £477,139 of this debt relates to just three tenants. The Council was continuing to work very closely with all of its tenants to clear outstanding rent arrears. Exempt Appendix J showed the split of the Aged Debt by service area and a split of the commercial property debt.

The impact of COVID-19 was likely to be felt for years to come as the Council would need to make provision in its medium-term budget plans for the impact on the collection fund deficits, recovery to pre-covid income and expenditure levels and the replenishment of its earmarked reserves and general fund balances.

Attached to the Quarter 3 performance report were a number of appendices which set out the performance and financial outturn position for 2021 to 2022 up to 31 December 2021 as follows:

- Appendix A: Performance Indicators – Commentary
- Appendix B: Performance Indicators – Inclusive Growth
- Appendix C: Performance Indicators – Families and Communities
- Appendix D: Performance Indicators – Housing
- Appendix E: Performance Indicators – Day to Day
- Appendix F: Income and Expenditure Report
- Appendix G: Capital Programme
- Appendix H: Earmarked Reserves
- Appendix I: Strategic Risk Register
- Exempt Appendix J – Aged debt over 90 days

Members considered the report in detail and asked questions of the Directors present, to which responses were provided, particularly in relation to small businesses, housing/homelessness, flytipping and Customer Services contacts. The Committee also discussed the total amount of aged debt over 90 days (as set out in Exempt Appendix J) and went into 'private' session to discuss this in more detail (see Minute Number 105 below).

At the conclusion of the discussions, the Committee **noted** the:

- Impact of COVID 19 on the Council's current financial year 2021 to 2022.
- Forecast 2021 to 2022 Revenue and Capital positions, as detailed in the report and appendices.

104. **Exclusion of press and public**

With the vote being unanimous, it was

Resolved:

That, under Section 100(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as prescribed in Part 1 of Schedule 12A of the Local Government Act 1972, and indicated against each item and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

105. **2021-2022 Performance Report (Quarter 3): Exempt Appendix J: Aged Debt Over 90 Days Monitoring (paragraphs 1 and 2) (Report number PAS/WS/22/004)**

The meeting moved into private session to allow for the Committee to pose specific questions on the information which related to the aged debt over 90 days, as set out in this exempt Appendix.

Once the discussion was concluded, the Committee then moved back into the open session of the meeting.

106. **Re-admittance of the press and public**

The press and public were re-admitted to the meeting.

107. **Changes to the Performance Management System (verbal)**

Prior to the conclusion of the meeting, the Chair took the opportunity to briefly inform the Committee of the proposed changes in the way that they would be reviewing and managing performance information, effective from the next meeting on 26 May 2022.

The meeting concluded at 8.00 pm

Signed by:

Chair
