

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 27 July 2023** at **5.00 pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present

Councillors

Chair Peter Armitage

Vice Chair Andy Neal

Richard Alecock

Mike Chester

Nick Clarke

Ian Houlder

Janne Jarvis

Karen Richardson

Frank Stennett

Phil Wittam

Substitutes attending for a full member

Pat Hanlon

In attendance

Diane Hind, Cabinet Member for Resources

Victor Lukaniuk

Birgitte Mager

191. **Substitutes**

The following substitution was declared:

Councillor Pat Hanlon substituting for Councillor Sue Perry.

192. **Apologies for absence**

Apologies for absence were received from Councillors John Augustine and Sue Perry.

193. **Minutes**

The minutes of the meeting held on 22 June 2023 were confirmed as a correct record and signed by the Chair.

194. **Declarations of interest**

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

195. **Public participation**

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

196. **Ernst and Young - 2021 to 2022 Audit Results Report to those Charged with Governance**

The Cabinet Member for Resources introduced David Riglar from EY, the Council's external auditors who were in attendance to present their final report (report number: PAS/WS/23/013), following the conclusion of the audit work on the 2021 to 2022 accounts.

The Cabinet Member reported the Council had received an unqualified opinion that the final accounts gave a true and fair view of the financial position of West Suffolk Council and an unqualified opinion on their value for money assessment. The accounts would therefore be signed following the meeting and the Council looked forward to hearing from EY when the 2022 to 2023 audit would commence.

David Riglar from EY then drew the Committee's attention to Appendix A and highlighted the following areas:

- Page 5 – Scope update: There were no issues to report.
- Page 5 - Status of the audit: Final signing of the accounts.
- Page 6 – Areas of audit focus having a higher risk:
 - Valuation of Mildenhall Hub (3G pitch valuation had been excluded).
 - Valuation of solar farm: Increase in value by an adjustment of £4.99m.
- Page 7 – Pensions liability valuation: Statement amended to reflect an increase in pension liability of £4.28m.
- Page 8- Value for Money: No significant risk and no exception to report.
- Page 9 – Audit differences: classification adjustment on balance sheet.
- Page 10 – Control observations: Did not identify any significant deficiencies in internal control.

The Committee considered the report in detail and asked questions to which responses were provided. In particular discussions were held on the solar farm and how it was valued and whether the valuation took into account the life of the solar panels.

In response to a question raised relating to the Mildenhall Hub asset having a number of third-party leases unsigned (Appendix A, page 10), officers explained that there were a number of partners involved in the Hub. Funding partners had an agreement to enter into a lease, as they funded the build of the Mildenhall Hub. Other partners had appropriate licences called "tenancy at will", which were being updated with a complete lease. At the beginning the focus was on making the building work. A number of leases had now been completed and the remainder would be completed shortly. The Council was using lessons learnt in future other developments by having draft forms of leases upfront.

In response to a questions raised on how the Mildenhall Hub (the Hub) was listed in the asset register, members were informed the Hub was componentised including between land and buildings.

There being no decision required, the Committee, **noted** that:

- 1) The work in respect of the audit opinion on the financial statements for West Suffolk Council for 2021 to 2022 had been completed.
- 2) The auditor had no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.
- 3) The Chief Finance Officer, in consultation with the Chair of the Performance and Audit Scrutiny Committee had delegation to conclude the signing of the 2021 to 2022 accounts.

197. **2023 to 2024 Performance Report (Quarter 1)**

The Cabinet Member for Resources presented report number PAS/WS/23/014, which included a forecast for the year-end 2023 to 2024 position and performance dashboard covering the period April to June 2023.

The report included an update under the Key Performance Indicators (KPIs) on fuel used, which was raised at the Committee's June 2023 meeting.

She then highlighted a number of KPIs, which members might wish to be aware of over the coming months, being:

- A new monitoring system was in place to provide more precise estimates on the Council's usage of gas and electricity.
- Universal Credit Claimants: The first quarter of the year had seen the highest number of claimants in West Suffolk over the four-year monitoring period. This was a contextual indicator provided by the DWP. However, it was important for the Council both in terms of anticipating increased demand for services such as homelessness and in terms of informing the design of programmes such as economic development and families and communities.
- Homelessness: The bottom right graph showed how the rates of homelessness acceptances in West Suffolk compared with Suffolk and England. There was a lag time associated with the figures as they were produced by central government and where therefore not as timely as the Council's data but showed how things stood at the end of December 2022. This comparison was important in terms of planning the Council's homelessness and housing options services and how it needed to continue to focus on preventing homelessness.

The Cabinet Member informed the Committee if there were issues where it would like to ask questions, and the relevant information was not available tonight or where further information was needed, written responses would be

provided to the Committee. Or the Committee could invite the relevant Portfolio Holder to a future meeting for further discussions.

Attached to the Quarter 1 performance and the financial forecast for the year-end 2023 to 2024 position were a number of appendices as follows:

- Appendix A: Key Performance Indicator Dashboards
- Appendix B: Income and expenditure report
- Appendix C: Capital Programme
- Appendix D: Earmarked Reserves
- Appendix E: Strategic Risk Register
- EXEMPT Appendix F: Aged debt over 90 days.

The Committee considered the KPI's and asked questions to which responses were provided.

In response to a question raised on page 80 of the report, on why fuel usage had increased, it was agreed that a written response would be provided.

In response to a question raised on page 84 of the report, on why there was no footfall data for Haverhill, Mildenhall, Brandon or Clare, the Cabinet Member explained that the footfall data were provided by the Bury St Edmunds and the Newmarket BIDs. However, the Cabinet Member agreed to look into the cost of monitoring footfall in the other towns and how to provide better comparisons on footfall data.

In response to a question raised on page 97 of the report, on why the percentage of affordable housing units delivered on sites of 10 or more units was showing as a flat line, it was explained that this was because the Council was consistently delivering on its 30 per cent target. Members suggested it would be better to show how many affordable houses had been built during the year. Officers agreed to include numbers of affordable house built in the commentary box for future quarterly reporting.

In response to a question raised on page 102 of the report, on employee numbers, officers agreed to change the scale on the head count and would include the net change in the commentary box for future quarterly reporting.

The Cabinet Member for Resources then presented the financial element of the report and explained this was the first report for this financial year which showed the initial trends and variances against the budget which was agreed by Council in February 2023. Actual financial results up to 31 June 2023 had been used to forecast the full year delivery and rationale for any variances against the budget.

At this stage in the year the forecast was for a deficit of £372,000 which was just over 1% of the Council's total income. Whilst this was a shortfall, management were looking at options to bring this back to a balanced position by the year end.

In comparison to previous years the major income lines were all forecast to be on or near budget. The variances that the Council was seeking were

related to particular issues rather than larger nationwide trends. The variances included:

- The loss of income relating to some vacant retail units.
- Utility cost rises within the operational estate.
- The slowdown in local property market impacting on land charge; building control and section 106 income.
- There was a favourable variance coming from lower fuel costs currently available.

The Council was forecasting to spend £30.2m of its capital budget of £56.7m for the financial year. This was predominantly due to the timing of opportunities for "investing for growth" fund and the lower than anticipated use of the Barley Homes loan facility.

Earmarked reserves were forecast to be £45.8m against a closing budget position of £43.2m. This increase was driven by the expectation that additional external borrowing would not be required in the year and the budgeted interest payable budget would not be required in full. There was also significant significantly higher interest receivable (£0.9m) which had been moved to the capital project financing reserve. This was held to mitigate the risk of higher interest rates on borrowing in the near future when the Council would be looking to borrow externally again in the next 12 to 24 months.

Appendix E, relating to the strategic risk register recorded all strategic risks that might impact the ability to deliver Council services. The relative impact and probability of each risk was reviewed each quarter along with all the mitigating controls and actions. There was one new risk which had been added in Quarter 1, relating to the transition of the administration and the risk inherent with a significant number of new members and change of political control. The actions and controls included the training and inductions of members. This risk was anticipated to be a temporary including in the risk register.

The Committee considered the financial aspects of the report and asked questions to which responses were provided. In particular discussions were held on expenditure (third party payments); vacant properties; staff vacancies and exit interviews.

In response to a question raised about the decrease in income and whether this was still related to covid, the Cabinet Member explained that there was still a slight lag in income recovery compounded by the current cost of living crisis.

In response to a question raised on recycling rates and increasing recycling in diverse materials, which in turn would increase revenue, the Cabinet Member advised that recycling was under review and was being looked at by the Environment and Sustainability Working Group, as well as the operations team. Officers would discuss with the Director of Operations on ways to maximise more recycling. The Council was waiting on new Government legislation to improve the consistence of collections, which had been deferred until 2025.

In response to a question raised on whether the Council had a policy to promote staff from within, members were informed that the Council had in place for all services succession planning and a number of roles were filled from within the existing workforce, but external advertisement was still appropriate.

Detailed discussions took place on the Council's budget which was already in deficit in quarter one by £0.4m from a balanced budget at the start of the financial year 2023 to 2024 and wages were increasing.

The report explained that officers were looking at potential cost saving opportunities and efficiencies, but some members were concerned about the early deficit and questioned whether the tough decisions were being taken now as the Council needed to get to grips with the deficit at an early stage.

In response the Cabinet Member explained that she was working with officers and other Cabinet members to address the current in year deficit and a number of options were available.

There being no decision required, the Committee **noted** the forecast 2023 to 2024 revenue and capital positions as detailed in report number PAS/WS/23/014 and appendices and that Cabinet be asked to manage the deficit at an early stage to bring it back to a balanced budget.

198. **Annual Financial Resilience Management Report 2022 to 2023**

The Cabinet Member for Resources presented report number FRS/WS/23/003, which was scrutinised by the Financial Resilience Sub-Committee on 17 July 2023.

The Annual Treasury Management and Financial Resilience Report (2022 to 2023) included tables summarising the interest earned and average rate of return achieved; treasury management investment activity during the year; investments held as at 31 March 2023; external borrowings and temporary loans; capital financing requirement and internal borrowing.

The report also contained information on the council's borrowing strategy and sources of borrowing; borrowing and capital costs (affordability); liability benchmark; borrowing and income (proportionality) and borrowing and asset yields.

The Committee considered the report and did not raise any issues.

It was then recommended by Councillor Ian Houlder, duly seconded by Councillor Pat Hanlon, and with the vote being unanimous,

RECOMMENDED

That subject to the approval of Cabinet and Council, the Annual Treasury Management and Financial Resilience Report 2022 to 2023, being report number FRS/WS/23/003, be approved.

199. **Treasury Management Report (June 2023)**

The Cabinet Member for Resources presented report number FRS/WS/23/004, which was scrutinised by the Financial Resilience Sub-Committee on 17 July 2023.

The report showed the position as at 30 June 2023. At this point the Council held £49.5m of investments and borrowing of £9.6m. Interest receivable in the first quarter was driving a budget surplus of £315,930 due to rising interest rates and high levels of cash invested.

The surplus was being held in the capital projects financing reserve in order to mitigate the risk of future borrowing in the current interest environment. The Council's liability benchmark and cashflow forecast showed that the Council would not need to borrow externally within the short to medium-term this financial year.

Following the latest inflation report the Council has seen that the market was expecting a slightly lower projection in the Bank of England's interest rate increase at their next meeting.

The Council continues to seek external advice regarding the timing of external borrowing requirements and that was not predicted for cash flow reasons for the next 12 to 24 months.

Officers were also in discussions with the Council's advisors, Arlingclose to attend a future meeting of the Committee to provide some Treasury Management and oversight training.

The Committee considered the report in detail and asked questions to which responses were provided.

Detailed discussions were held on Arlingclose, the Council's treasury advisors around general advice provided, quarterly reports produced and training they provided.

In Committee acknowledged that Arlingclose stood behind treasury decisions made by the Council but felt the Council should not allow advisors to become a comfort blanket and be more robust in what the Council seeks from organisations.

It was then recommended by Councillor Ian Houlder, duly seconded by Councillor Nick Clarke, and with the vote being unanimous,

RECOMMENDED

That subject to the approval of Cabinet and Council, the Treasury Management Report (June 2023), being report number FRS/WS/23/004, be approved.

200. **Annual Appointments to the Financial Resilience Sub-Committee and Health and Safety Sub-Committee (2023 to 2024)**

The Committee received report number PAS/WS/23/015, informing members that at its meeting on 22 June 2023 the Committee deferred making a decision on appointing a substitute, which had not been allocated to a group on the Financial Resilience Sub-Committee. The decision to appoint six members and two substitute members to the Health and Safety Sub-Committee was also deferred.

Financial Resilience Sub-Committee

The Committee considered the substitute place on the Financial Resilience Sub-Committee and agreed that this should be left with a temporary substitute being appointed as and when needed by the Group Leader to the Monitoring Officer.

It was proposed by Councillor Frank Stennett, duly seconded by Phil Wittam, and with the vote being unanimous:

RESOLVED:

That in the event that a member of the Financial Resilience Sub-Committee was unable to attend a meeting, a temporary substitute would be nominated by the Group Leader to the Monitoring Officer.

Health and Safety Sub-Committee

The Committee then considered the appointments to the Health and Safety Sub-Committee and the nominations received, as set out in the report, as follows:

- Conservative Group: Councillors Mike Chester and Ian Houlder.
- Independents: Councillors Andy Neal and Phil Wittam.
- Progressive Alliance Grouping: Councillors Peter Armitage and Janne Jarvis.

The Chair then asked for nominations for the Conservative substitute place, to which none were received, leaving this as a vacancy.

The Chair then asked for nominations for the Independents substitute, to which Councillor Richard Alecock nominated himself.

No further nominations were received.

It was then proposed by Councillor Frank Stennett, duly seconded by Phil Wittam, and with the vote being unanimous:

RESOLVED: That

- 1) Councillors Mike Chester and Ian Houlder (Conservative Group), Andy Neal and Phil Wittam (Independents), and Peter Armitage and Janne Jarvis (Progressive Alliance Group), be appointed as full

members to the Health and Safety Sub-Committee for 2023 to 2024.

- 2) Councillor Richard Alecock (Independents), be appointed as the substitute member to the Health and Safety Sub-Committee for 2023 to 2024.
- 3) The Conservative substitute place on the Health and Safety Sub-Committee remains as a vacancy.

201. **Work programme update**

The Committee received report number: PAS/WS/23/016, which updated members on the current status of its rolling work programme of items for scrutiny during 2020-2021 (Appendix 1).

It was also reported that the Government had published on 4 July 2023 a policy paper "Office for Local Government: Understanding Supporting Local Government Performance." Officers agreed to circulate a briefing note to members of the Committee setting out information and the Council's views on the policy paper.

The Committee considered its rolling work programme and did not raise any issues.

There being no decision required, the Committee **noted** the update.

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

See minute number 203 below.

203. **2023 to 2024 Performance Report Quarter 1 - EXEMPT Appendix F**

The Performance and Audit Scrutiny Committee made no reference to Exempt Appendix F under report number PAS/WS/23/014, therefore, this item was not held in private session.

The meeting concluded at 6.54pm

Signed by:

Chair
