
Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Notes of Informal Discussions held on Thursday 24 November 2016 at 5.00pm in the Council Chamber, District Offices, College Heath Road, Mildenhall

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillor Sarah Broughton
(Chairman of the informal discussions)

Councillors Betty Mclatchy, Ivor Mclatchy, David Roach, Barry Robbins,
Peter Thompson and Patricia Warby.

Forest Heath District Council (FHDC)

Councillors Michael Anderson, Louis Busuttill, Christine Mason and Peter Ridgwell.

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

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

- (1) Mid-year Internal Audit Progress Report 2016-2017;
- (2) Balanced Scorecards and Quarter 2 Performance Report 2016-2017
- (3) West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2016;
- (4) Work Programme Update.

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee had been invited to attend the District Offices, Mildenhall to enable joint informal discussions on the above reports to take place between the two authorities.

The Chairman of Forest Heath's Performance and Audit Scrutiny Committee welcomed all those present to the District Offices, Mildenhall 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 St Edmundsbury'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 – 4 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. **Mid-Year Internal Audit Progress Report 2016-2017**

[Councillor Peter Thompson arrived at 5.03pm during the consideration of this item].

The Senior Auditor presented the report, which advised Members of the work of the Internal Audit Section for the first half of 2016-2017 (Appendix A), and provided Members with an insight of the variety of corporate projects and activities which were supported through the work of the team. The report also included an update on progress made against the 2016-2017 Internal Audit Plan previously approved by the Committee in May 2016.

A similar approach to last year's Internal Audit Plan was being undertaken in that as well as continuing to perform the usual statutory fundamental systems audits and other audit responsibilities, Internal Audit was also performing corporate and consultancy style work. This approach recognised that early audit input to activities could often help prevent or bring early resolution to internal control issues, and also brought audit skills and increased available resources on significant corporate projects. For 2016-2017 to date the team had assisted in the following work areas:

- Production of the West Suffolk Annual Governance Statement and its associated documents;
- West Suffolk Strategic Risk Register;
- Information governance;
- Records management;
- Input to corporate projects such as the Medium Term Financial Strategy Income and Contracts work streams; conducting "health checks" on electoral administration processes across West Suffolk; a number of pieces of work for the Operations service; Mildenhall Hub project; and financial due diligence related to areas of potential council investment.

Internal Audit had also responded to around 35 requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the councils; and continued to provide advice to service areas on internal controls.

No significant risk exposures or control issues had been identified during the audit work undertaken during the period.

Members considered the report and did not raise any issues.

2. **Balanced Scorecards Quarter 2 Performance Report 2016-2017**

The Business Partner (Resources and Performance) presented the report, which set out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2016-2017 and an overview of performance against those indicators for the second quarter of 2016-2017. The six balanced scorecards (attached at Appendices A to F) were linked to the Head of Service areas, which presented the second quarter performance.

Most indicators reported performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance.

During the past quarter, there had been four new indicators added to the Planning and Growth scorecard, which aimed to provide a broader picture of the performance and the issues faced during the planning application process.

In quarter 1, the performance against the "% telephone calls answered" indicators was below target levels across all areas. During quarter 2, the performance against these indicators had increased and was now getting back towards the levels seen during the 2015-2016 financial year, despite call volumes still being higher than comparable periods last financial year.

There had been a slight drop corporately in the performance against the indicator "% of non-disputed invoices paid within 30 days" since quarter 1. The figure in June 2016 was 93.17%, whereas in September 2016 the figure was 87.63%. The finance and performance team would continue to work with the service areas to try and improve performance against this indicator, with monthly business intelligence reports being sent out with details of all invoices processed.

Another area where performance had dipped slightly since the quarter 1 this year was in homelessness. An increase in homeless cases of 30% from the first quarter had led to a slightly increased time taken to make homelessness decisions and an increased use of B&B accommodation in quarter 2.

Members considered the report in detail. In particular discussions were held on the increase in homelessness cases presented. Members were informed that the general increase was due to the current economic climate and family breakdowns.

3. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2016**

The Service Manager (Resources and Performance) presented the second quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting in September 2016 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 September 2016 had been removed from the Register. There had been no new risks or amendments made to any existing risks or any existing risks closed since the Strategic Risk Register was last reported to the Committee.

With regards to the EU Referendum, the Group would continue to monitor the situation as it developed over the next quarter, amending existing and / or adding new risks where necessary. Any changes made would be reported at the next meeting of the Committee, in the normal manner.

Members considered the report and in particular discussed risk WS4 – staff retention. Members were advised that the Head of HR, Legal and Democratic Services had previously increased the risk due to a national and local issue around recruiting particular skilled staff. The Head of Service was keeping the risk under review.

4. **Work Programme Update**

The Head of Resources and Performance presented the report, which provided information on the current status of each Committee's Work Programme for 2017.

On the conclusion of the informal joint discussions at 5.14pm, Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee withdrew from the Council Chamber to the Training Room to hold their formal meeting.

The Chairman then formally opened the St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee in the Training Room at 5.17pm.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 24 November 2016** at **5.17 pm** in the **Training Room**, at Forest Heath District Council, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Betty Mclatchy
David Roach

Barry Robbins
Peter Thompson

Substitutes attending:
Susan Glossop for Jane Midwood
Ivor Mclatchy for Karen Richardson

117. **Substitutions**

The following substitutions were declared:

Councillor Susan Glossop for Councillor Jane Midwood.
Councillor Ivor Mclatchy for Councillor Karen Richardson.

118. **Apologies for Absence**

Apologies for absence were received from Councillors Beccy Hopfensperger, Jane Midwood, David Nettleton and Karen Richardson.

119. **Minutes**

The minutes of the meeting held on 21 September 2016 were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

120. **Public Participation**

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

121. **Mid-Year Internal Audit Progress Report 2016-2017**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/16/024.

Members had scrutinised the report, and there being no decision required the Committee **noted** the Mid-Year Internal Audit Progress Report 2016-2017.

122. **Balanced Scorecards and Quarter 2 Performance Report 2016-2017**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/16/025.

Members had scrutinised the report, and there being no decision required the Committee **noted** the Council's performance using the Balanced Scorecards for Quarter 2, 2016-2017.

123. **West Suffolk Strategic Risk Register Quarterly Monitoring Report - September 2016**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/16/026.

Members had scrutinised the report in detail and had asked a number of questions to which responses were duly provided.

There being no decision required the Committee **noted** the contents of the Quarter 2 West Suffolk Strategic Risk Register monitoring report.

124. **Work Programme Update**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/16/027.

Members had scrutinised the report, and there being no decision required the Committee **noted** the contents of the work programme for January – May 2017.

125. **Financial Performance Report (Revenue and Capital) Quarter 2 - 2016-2017**

[Councillor Susan Glossop arrived at 5.28pm during the consideration of this item].

The Committee received Report No: PAS/SE/16/028, which set out the financial performance for the second quarter of 2016-2017 and forecasted outturn position for 2016-2017.

Attached at Appendix A and B to the report was details of the Council's revenue performance and year end forecasted outturn position. Explanations of the main year end forecast over/(underspends) was set out within paragraph 1.2.3 of the report. Members were requested to note the current position and the significant variances over £25,000 (paragraph 1.2.3).

Appendix C to the report set out the Council's capital financial position for the six months of 2016-2017, which showed expenditure of £1,208,000. Finally, a summary of the earmarked reserves was attached at Appendix D, along with the forecast year end position for 2016-2017.

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

The Committee scrutinised the report in detail and asked a number of questions to which response were duly provided. In particular discussions were held on the Development Control, trade waste and waste commodity variances over £25,000.

Members also discussed the brown bin service and was advised that a marketing campaign would be started shortly to encourage residents to renew their subscription.

In response to a question raised, the Head of Operations agreed to look further into the suggestion of having a "free from 1pm" for car parks in Haverhill on market day.

There being no decisions required, the Committee **noted** the Quarter 2 performance and the 2016-2017 year end forecast financial position.

126. **Delivering a Sustainable Budget Medium Term Financial Strategy 2017-2020**

The Committee received Report No: PAS/SE/16/029, which updated Members on progress made towards delivering a balanced budget for 2017-2018 and sustainable budget in the medium term.

St Edmundsbury continued to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending (Revenue and Support Grant (RSG)) from central government, as evidenced by the proposed four year government settlement. It was clear that even without the proposed reductions in RSG, the council had underlying net cost pressures that it needed to address.

The budget gap for years 2017-2018 to 2019-2020 were projected in Table 1 of the report. The current budget assumptions for 2017-2018 to 2019-2020 and for the period of the Medium Term Financial Strategy were detailed in Appendix A.

The Approach to Delivering a Sustainable Medium Term Financial Strategy 2016 report was approved by Council on 27 September 2016.

The Performance and Audit Scrutiny Committee was asked to support and recommend to Cabinet the inclusion of a number of proposals, as set out in Table 2 of the report, in order to progress securing a balanced budget 2017-2018.

The Committee was further asked to consider proposals, as set out in paragraph 5.2 to be treated as pending budgets requiring approval before being committed; removing items from the capital programme (paragraph 5.3) and reserve transfers as set out in paragraph 5.4 be approved.

Members scrutinised the report in detail and asked a number of questions to which officers duly responded. In particular discussions were held on whether the devolution would affect the budget; and the Barley Homes Group Limited timetable for progressing housing developments.

The Committee **noted** the budget assumptions, budget timetable and progress made to date on delivering a balanced budget for 2017-2018 and sustainable budget in the medium term.

Councillor Patricia Warby moved the recommendation, this was duly seconded by Councillor David Roach and with the vote being unanimous, it was:

RECOMMENDED that:

- 1) The proposals, as detailed in Section 5 and Table 2 at paragraph 5.1 of Report No: PAS/SE/16/029, be included, in securing a balanced budget for 2017/2020.**
- 2) The items, as detailed in paragraph 5.2 of Report No: PAS/SE/16/029 are treated as pending budgets that will require the necessary approvals before they can be committed.**
- 3) The items as detailed in paragraph 5.3 of Report No: PAS/SE/16/029, be removed from the capital programme**
- 4) The reserve transfers as detailed in paragraph 5.4 of Report No: PAS/SE/16/029, be approved.**

127. Ernst and Young - Presentation of Annual Audit Letter (2015-2016)

The Committee received Report No: PAS/SE/16/030, presented by Mark Russell, Assistant Manager (Ernst and Young), which updated Members on the outcome of the annual audit of the 2015-2016 financial statements by Ernst and Young (EY) as detailed in their Annual Audit Letter 2015-2016, attached as Appendix 1 to the report. The letter was for information and confirmed the completion of the audit for the 2015-2016 financial statements.

No significant issues were noted by EY and, therefore, the planned audit fee of £43,767 for the year remained unchanged, other than a small additional fee which related to some work on the Council's proposed Minimum Revenue Provision policy. This work had been requested by management and a fee of £1,431 had been agreed by the S151 Officer.

Work on the certification of claims and returns had not yet commenced and the results of this work, along with the final fee would be reported in the Annual Certification Report.

Members asked questions, to which Mark Russell Hodgson duly responded.

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

128. **Mid-Year Treasury Management Performance Report and Investment Activity (April - September 2016)**

The Committee received Report No: TMS/SE/16/004, which had been considered by the Treasury Management Sub-Committee on 21 November 2016. The Head of Resources and Performance provided a verbal update on the Sub-Committee's consideration of the report, which:

- (a) Provided a summary of investment activities for the first six months of 2016-2017;
- (b) Updated the Sub-Committee on the use of the Chief Executive's Urgency Powers to increase counterparty investment limits from October 2016; and
- (c) Requested the use of Enhanced Cash Funds be included in the list of authorised investments that could be used.

Investment Activity (1 April to 30 September 2016)

The Sub-Committee had scrutinised the investment activity for 1 April to 30 September 2016, and asked a number of questions to which officers duly responded.

Increases to Investment Counterparty Limits

The Sub-Committee was asked to note the following amendments which had been made to the Treasury Management Code of Practice 2016-2017 attached as Appendix 1 to the report:

- Risk Management TMP1 (1)
- Liquidity Risk Management TMP1 (2); and

the amendments made to sections 22, 23 and 26 of the Annual Treasury Management and Investment Strategy Statements 2016-2017, attached as Appendix 2.

The Sub-Committee had scrutinised the increases to the investment counterparty limits and asked questions to which officers duly responded.

Enhanced Cash Funds

The Sub-Committee was advised that with the Bank of England base rate at a record low of 0.25% and the introduction of a further £100bn of funds into the market, it was becoming increasingly difficult to achieve a good rate of return on the councils investments. In an attempt to mitigate some of this lost return the Treasury Management Sub-Committee was asked to recommend the use of Enhanced Cash Funds as an alternative investment

vehicle to the more traditional fixed term deposits with banks and building societies.

The Sub-Committee had scrutinised the enhanced cash funds, and asked questions to which officers duly responded. In particular members were advised that the Council would be looking to invest a fixed amount of £1m. Sector, the Council's treasury advisors had recommended that in order to manage any potential market volatility, such funds should have a minimum investment period of three to six months, although funds could be withdrawn with notice varying from 1 to 5 days depending on the fund.

The Performance and Audit Scrutiny Committee considered the report and **noted** the increased investment counterparty limits which had been agreed by the Chief Executive under his Urgency Powers.

Councillor David Roach moved the recommendations, this was duly seconded by Councillor Peter Thompson and with the vote being unanimous, it was:

RECOMMENDATIONS:

That subject to the approval of full Council:

- a) The Mid-Year Treasury Management Report 2016-2017, attached at Appendix 1 to Report No: TMS/SE/16/004, be approved.
- b) The addition of Enhanced Cash Funds to the authorised investments list in the St Edmundsbury Borough Council Treasury Management and Investment Strategy and Code of Practice, attached as Appendix 2 and 3 to Report No: TMS/SE/16/004, be approved.

The Meeting concluded at 5.59 pm

Signed by:

Chairman
