

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 25 July 2019** at **5.00 pm** in **Conference Chamber West (FR1-09), West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chair Ian Houlder
Vice Chair Karen Richardson

Richard Alecock
Mary Evans
Victor Lukaniuk
Elaine McManus

Robert Nobbs
John Smith
Peter Thompson

In attendance:

Susan Glossop, Cabinet Member for Growth
Peter Stevens, Cabinet Member for Operations
Mark Hodgson, (Associate Partner), Ernst and Young
Mark Russell, (Manager), Ernst and Young

12. **Substitutes**

The following substitutions were declared:

Councillor Pat Hanlon substituting for Councillor Cliff Waterman.
Councillor David Palmer substituting for Councillor Trevor Beckwith.

13. **Apologies for Absence**

Apologies for absence were received from Councillors John Augustine, Trevor Beckwith and Cliff Waterman.

14. **Minutes**

The minutes of the meeting held on 30 May 2019 were confirmed as a correct record and signed by the Chair.

15. **Public Participation**

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

16. **Ernst and Young - 2018-2019 ISA 260 Annual Results Report to those Charged with Governance**

[Councillor Peter Thompson arrived at 5.05pm during the consideration of this item, and prior to the vote taking place]

The Committee received Report No: PAS/WS/19/008, which presented the results from Ernst and Young's (EY) audit of the 2018-2019 financial statements for Forest Heath District Council and St Edmundsbury Borough Council (West Suffolk's predecessor councils). The report set out issues they were formally required to report on to those charged with governance. EY were also required to report on the results of the work undertaken to assess the council's arrangements to secure value for money (VFM) in the use of resources.

The councils' unaudited 2018-2019 Statement of Accounts, signed by the Chief Finance Officer (Section 151 Officer) on 30 May 2019, had been updated to reflect adjustments recommended by EY from their audit work. It should be noted by Members that these adjustments did not affect the overall financial position and were in most cases merely presentational changes.

A copy of the Audit Results Reports, dated 22 July 2019 were attached at Appendix A (Forest Heath) and Appendix B (St Edmundsbury), and were presented to the Committee by Mark Hodgson (Associate Partner) and Mark Russell (Manager) from EY. Also attached at Appendix C and D to the report were Letters of Representations, on behalf of the councils' in accordance with the audit of the financial statements for both Forest Heath District Council and St Edmundsbury Borough Council for the year ended 31 March 2019.

Mr Hodgson presented the report and explained that Forest Heath had the most audit risks, which related to the solar farm asset. He explained that Forest Heath's overall materiality assessment was £0.755m and St Edmundsbury was £1.401m.

He then wished to draw to the Committee's attention to the following areas for both councils:

- 1) Page 9 (Both) – (Significant risk – misstatements due to fraud or error). EY had completed the majority of the procedures and testing of recharges.
- 2) Page 12 (Forest Heath) – (Valuation of land and buildings) – The value of the solar farm had been amended to £13.8m, which was now in an acceptable arrange to which EY would expect, and discussions were being held with the Finance Team to resolve the issue.
- 3) Page 13 (Both) – (Land value) – no issues to raise.
- 4) Page 14 (Both) – (Pensions) – Both sets of accounts had been adjusted to reflect the pensions increase relating to the McCloud (age discrimination) and GMP (sex discrimination) rulings. These were both national rulings which had effected all local authorities.

5) Page 15 (Both) – (Accounting standards) – no issues to raise.

Mr Hodgson then informed the Committee that EY still had a number of outstanding items to be completed on the audit of the Statement of Accounts. EY would be working on these to ensure they were completed by the statutory deadline of 31 July 2019. He confirmed that there were no audit adjustments and there were no unadjusted audit errors. However, he reiterated that EY was on track, and subject to the satisfactory completion of the outstanding items, EY expected to be able to issue an unqualified opinion on the financial statements and the value for money conclusions next week.

The Committee considered the report in detail and asked questions to which responses were provided. In particular discussions were held on the revaluation of the solar farm and whether the provision for the pension fund was robust enough, to which comprehensive responses were provided.

Councillor Victor Lukaniuk then moved the recommendations, this was duly seconded by Councillor Karen Richardson, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The External Auditors opinion, as of today (25 July 2019) on the Finance Statements for Forest Heath District Council (Appendix A) and St Edmundsbury Borough Council (Appendix B) for 2018-2019 attached to Report No: PAS/WS/18/008, be noted.
- 2) The External Auditors value for Money conclusion, as of today (25 July 2019) stating that Forest Heath District Council (Appendix A) and St Edmundsbury Borough Council (Appendix B) had proper arrangements to secure economy, efficiency and effectiveness in its use of resources, issued by the Auditor, be noted.
- 3) The Letter of Representation on behalf of Forest Heath District Council (Appendix C) and St Edmundsbury Borough Council (Appendix D), attached to Report No: PAS/WS/19/008, be approved, before the Ernst and Young Associate Partner issues his opinion and conclusion.
- 4) The Chief Finance Officer, in consultation with the Chair of the Performance and Audit Scrutiny Committee be given delegated authority to conclude the signing of the accounts.

17. 2018-2019 Statement of Accounts

The Committee received Report No: PAS/WS/19/009, which sought members approval of the 2018-2019 Statement of Accounts for the former Forest Heath District Council (Appendix A) and St Edmundsbury Borough Council (Appendix B), in accordance with powers delegated to it under the Council's Constitution.

It was reported that the statutory requirements for the reporting and approval of the Council's annual financial statements were set out in the

Accounts and Audit Regulations 2015. The regulations require the Council to submit draft accounts to its external auditors, currently Ernst and Young (EY) by 31 May each year, with member scrutiny approval of the accounts required once the external audit had been concluded by 31 July each year.

The results of EY's review of the accounts, dated 22 July 2019 were provided in the Annual Results Reports, which were included on the Committee's agenda (PAS/WS/19/008), along with a verbal update by EY giving their current position as of this evening (25 July 2019).

The attached Statement of Accounts (Appendix A – Forest Heath) and (Appendix B – St Edmundsbury) had been amended, as appropriate, to take on board issues raised by the audit process up to the date of distribution.

EY had confirmed this evening (25 July 2019) that the audit for both Forest Heath District Council and St Edmundsbury Borough Council had not been concluded and they were therefore unable to issue an opinion on the financial statements and value for money conclusion that both councils had made the appropriate arrangements to secure economy, efficiency and effectiveness in the councils use of resources until next week, once all audit work had been completed.

This meant the Committee was not in a position to sign off the 2018-2019 Statement of Accounts this evening (25 July 2019). It was proposed that to take account of this, the recommendation be amended so that the Committee delegates the approval of the accounts to the Chief Finance Officer in consultation with the Chair of the Performance and Audit Scrutiny Committee, in accordance with powers delegated to it under the Council's Constitution.

The covering report summarised financial highlights in 2018-2019; revenue and expenditure; capital expenditure; usable reserves; pensions fund; annual governance statement; payments to councillors and conclusions.

The Service Manager (Finance and Performance) drew the Committee's attention to a couple of key areas (financial highlights for 2018-2019):

- 1) Page 31: Both councils had made a surplus (underspend) in 2018-2019; Forest Heath £157k and St Edmundsbury £10k.
- 2) Page 31: Capital expenditure – capital programme spend for Forest Heath was £6.2m, which included expenditure on both the Mildenhall Hub and the West Suffolk Operational Hub; and for St Edmundsbury £17.5m, which included investment in the commercial asset portfolio and expenditure on the West Suffolk Operational Hub
- 3) Page 31: There had been no change to the general fund balances.

The Committee scrutinised the draft accounts in detail and asked questions on audit fees; the loan relating to the Newmarket Leisure Centre; arrears (sundry debtors) and whether these were accumulating; grants and contributions and the performance of properties purchased at 113 High Street and 3 The Avenue, Newmarket, to which responses were provided.

In response to a question raised regarding why there were no figures for Brandon Country Park, members were informed that the Accounts did not list out every asset owned, and that Brandon Country Park was included as part of the overall asset figures.

The Chair on behalf of the Committee wished to convey its thanks and commended the Service Manager (Resources and Performance) on the teams work involved in preparing the accounts.

Councillor Victor Lukaniuk then moved the recommendation, this was duly seconded by Councillor John Smith, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The Chief Finance Officer, in consultation with the Chair of the Performance and Audit Scrutiny Committee, be delegated to approve the 2018-2019 Statement of Accounts for Forest Heath District Council (Appendix A) and St Edmundsbury Borough Council (Appendix B), attached to Report No: PAS/WS/19/009, in accordance with the powers delegated to it under the Council's Constitution.
- 2) Subject to (1) above, the Chair of the Performance and Audit Scrutiny Committee signs the certification for both of the 2018-2019 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Cabinet Member for Resources and Performance, be given delegated authority to make any further changes that may be required up to the date of publication, in consultation with the Chair of the Performance and Audit Scrutiny Committee.

18. Annual Treasury Management Report 2018-2019 (FHDC)

The Committee received Report No: FRS/WS/19/001, which had been considered by the Financial Resilience Sub-Committee on 15 July 2019. The Chair provided a verbal update on the Sub-Committee's consideration of the report, which summarised the Annual Treasury Management Investment Activities for the year 2018-2019 for the former Forest Heath District Council.

The Sub-Committee had scrutinised the Annual Treasury Management Report 2018-2019, and asked a number of questions to which comprehensive responses were provided.

In particular, discussions were held on treasury management risks; the number of building society accounts held by the council; the council's treasury management team; how investments were made and the number of quotes required; the council's external treasury advisors; and how external and internal borrowing worked.

Detailed discussions were also held on the loan relating to Newmarket Leisure; the reasons at the time as to why it had been taken out for 70 years;

and the financial penalties involved if the loan was paid off early. Further queries were raised in relation to the Toggam Solar Farm; the projection on income; how energy prices were guaranteed; and the need to ensure the council received the best rate of return on its investments.

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

It was then proposed by Councillor Ian Houlder, seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was:

RECOMMENDED:

That the Annual Treasury Management Report 2018-2019, for the former Forest Heath District Council, being Report No: FRS/WS/19/001, be approved.

19. Annual Treasury Management Report 2018-2019 (SEBC)

The Committee received Report No: FRS/WS/19/002, which had been considered by the Financial Resilience Sub-Committee on 15 July 2019. The Chair provided a verbal update on the Sub-Committee's consideration of the report, which summarised the Annual Treasury Management Investment Activities for the year 2018-2019 for the former St Edmundsbury Borough District Council.

The report included tables which summarised the interest earned and the average rate of return achieved during 2018-2019; investment activity during the year; investments held as at 31 March 2019 and capital borrowing budget 2018-2019. The budget income from investments income in 2018-2019 was £308,000 (target average rate of return 0.70%). Interest actually earned during the financial year totalled £344,766 (average rate of return of 0.751%), against a budget for the year of £308,000; a budgetary surplus of £36,766.

The Sub-Committee had scrutinised the Annual Treasury Management Report 2018-2019, and asked questions to which responses were provided.

The Performance and Audit Scrutiny Committee considered the report and did not raise any questions.

It was then proposed by Councillor Ian Houlder, seconded by Councillor Karen Richardson, and with the vote being unanimous, it was:

RECOMMENDED:

That the Annual Treasury Management Report 2018-2019, for the former St Edmundsbury Borough Council, being Report No: FRS/WS/19/002, be approved.

20. Treasury Management (June 2019)

The Committee received Report No: FRS/WS/19/003, which had been considered by the Financial Resilience Sub-Committee on 15 July 2019. The

Chair provided a verbal update on the Sub-Committee's consideration of the report, which provided a summary of investment activity for the first three months of the 2019-2020 financial year for the new West Suffolk Council.

The Sub-Committee had scrutinised the investment activity for 1 April 2019 to 30 June 2019, and asked detailed questions to which responses were provided. In particular discussions were held on the Investing in our Growth Fund and what it could be used for, and the tax implications on commercial investments.

The Performance and Audit Scrutiny Committee considered the report and did not raise any questions.

It was then proposed by Councillor Karen Richardson, seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was:

RECOMMENDED:

That the Treasury Management Report (June 2019), being Report No: FRS/WS/19/003, be approved.

21. **2019-2020 Performance Report (Quarter 1)**

The Service Manager (Finance and Performance) presented Report No: PAS/WS/19/010, which set out the performance for quarter one and the forecasted financial outturn position for 2019-2020.

The report showed the current Performance Indicators for the first quarter of 2019-2020, as set out in the following appendices, attached to the report:

- Appendix A: 2019-2020 Performance Indicators, Commentary;
- Appendices C to E: Performance Indicators by Strategic Priority;
- Appendix F : Income and Expenditure;
- Appendix G: Capital Programme;
- Appendix H: Earmarked Reserves.

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

In particular discussions were held on:

Appendix C – (F3: Number of households in temporary accommodation, and F4: Number of households prevented from being homeless). Members questioned what were the councils plans to support and assist in improving performance.

Members were informed that the temporary accommodation target had been red for some time due to the change in legislation in April 2018 which had resulted in an increase of people who were eligible for support. In response to that the council had predicted an increase in demand and therefore had increased its temporary accommodation provision.

Members were informed that with regards to preventing homelessness, there had been a number of staff changes over that period. Whilst people had continued to be supported and prevented from being homeless, not all cases had been physically closed on the system to enable them to be recorded. The priority had been to support people as opposed to completing the administration and closing cases. However training had been provided to ensure cases were closed in a timely way. The council was also looking at how it compared nationally. Over the first three quarters of last year, West Suffolk had successfully prevented homelessness in 77% of cases, compared with the national average of 58%. It was noted that the full year's figures had yet to be published by the government but once it is available, it will be reported to members.

Further questions were raised as to the cost of temporary and bed and breakfast accommodation.

Appendix C – (F8: Number of flytipping incidents recorded in West Suffolk). Members raised a number of questions around flytipping, to which responses were provided as follows:

- The increase in incidents was due to improvements which had been made to the recording process and the targeted enforcement which had been carried out in hotspot areas, which had raised awareness of reporting incidents.
- The vast majority of flytipping incidents reported were on a small number of our urban housing estates.
- The council was developing its communication channels all the time through its website and officers were open to exploring language options.
- The Cabinet Member for Operations informed members that he would continue to ask the Suffolk Waste Partnership to look into the issue of flytipping and the charges/opening hours at Suffolk County Council Recycling Centres.

Members were pleased to see that the council had recently prosecuted an offender.

Appendix D – (H4: Number of long term empty homes brought back into use per annum)

Councillor Mary Evans felt the council was being too harsh on itself and that the colour rating should be amber and not red because in the first quarter the council had brought back 58 homes, with the annual target being 64.

In response members were informed that last year 50 homes were brought back into use and this year the target has been increased to 64. Officers confirmed that the new target would be exceeded. The target was based on 1,000 properties, but only a small proportion might be suitable to bring back into use. The Council was constantly working with owners to bring homes back into use.

There being no decision required, the Committee **noted** the Quarter 1 performance for 2019-2020.

22. **Work Programme Update**

The Committee received Report No: PAS/WS/19/011, which updated Members on the current status of its rolling work programme of items for scrutiny during 2019-2020 (Appendix 1).

The Committee considered the report, and there being no decision required, the Committee **noted** the update.

The meeting concluded at 6.25 pm

Signed by:

Chair
