

Cabinet

Title of Report:	Report of the Performance and Audit Scrutiny Committee: 26 September 2019	
Report No:	CAB/WS/19/033	
Report to and date:	Cabinet	8 October 2019
Portfolio holder:	Councillor Sarah Broughton Portfolio Holder for Resources and Performance Tel: 01284 787327 Email: sarah.broughton@westsuffolk.gov.uk	
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Lead Officer:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: Christine.brain@westsuffolk.gov.uk	
Purpose of report:	On 26 September 2019, the Performance and Audit Scrutiny Committee considered the following items: (1) Ernst and Young – Annual Audit Letters 2018-2019; (2) Local Government Ombudsman - Annual Report; (3) Treasury Investment Limits 2019-2020 (4) Approach to Delivering a Sustainable West Suffolk Council Budget 2020-2021 and Medium Term Financial Strategy 2020-2024; (5) Work Programme 2019-2020.	
Recommendation:	It is <u>RECOMMENDED</u> that Report No: CAB/WS/19/033, being the report of the Performance and Audit Scrutiny Committee, be noted.	

Key Decision:	No, it is not a Key Decision - <input checked="" type="checkbox"/> Report for information only.
Consultation:	<ul style="list-style-type: none"> See reports listed in Section 2 below.
Alternative option(s):	<ul style="list-style-type: none"> See reports listed in Section 2 below.
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input type="checkbox"/> Please see background papers.
Risk/opportunity assessment:	Please see background papers.
Ward(s) affected:	All Wards
Background papers:	Please see background papers, which are listed at the end of the report.
Documents attached:	None

1. Key issues and reasons for recommendation

1.1 **Ernst and Young - Annual Audit Letters 2018-2019 (Report No: PAS/WS/19/012)**

1.1.1 The Committee received and **NOTED** the above report, which updated Members on the outcome of the annual audit of the 2018-2019 financial statements by Ernst and Young, the councils external auditors as detailed in their Annual Audit Letters for the year ended 31 March 2019, attached as Appendix A (former Forest Heath) and Appendix B (former St Edmundsbury). The letters were for information and confirmed the completion of the audits for the 2018-2019 financial statements.

1.1.2 The audit fees for 2018-2019 Code were, as contained in the appendices were summarised below, as follows:

Audit Fee - Code Work	Planned Fee 2018/19 £	Final Fee 2018/19 £
Forest Heath DC	36,253	TBC
St Edmundsbury BC	33,701	TBC

1.1.3 Final fee would be discussed and agreed with the Chief Finance Officer before gaining formal approval from Public Sector Audit Appointments Ltd, and would be reported in a separate fee letter if required.

1.1.4 The fees for certification work relating to the 2018/19 Housing Benefit Subsidy claim, as contained in the appendices, were summarised below, as follows:

Audit Fee - Grant Claims	Planned Fee 2018/19 £	Final Fee 2018/19 £
Forest Heath DC	14,960	TBC
St Edmundsbury BC	14,960	TBC

1.1.5 Work on the certification of the Housing Benefit Subsidy returns was not yet completed and the results of this work, along with the final fees, would be reported in the Annual Certification Reports.

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

1.2 **Local Government Ombudsman – Annual Report (Report No: PAS/WS/19/013)**

1.2.1 The Committee received and **NOTED** the above report on the recommended approach in reporting Ombudsman complaints as contained in Section 4 of the report. The report set out the background and context; number of complaints for Forest Heath District Council and St Edmundsbury Borough Council; outcome of complaints considered by

- the Local Government Ombudsman (LGO); considering LGO outcomes in future and conclusions.
- 1.2.2 The LGO issues an annual report on its activity, which maps the volume and nature of complaints received across the Country. Each Council was also issued with its own performance report. The report presented to the Performance and Audit Scrutiny Committee informed Members on the outcome of the final annual performance reports for Forest Heath and St Edmundsbury Councils, in comparison to national performance measures.
- 1.2.3 Two cases were upheld at Forest Heath Council. One case was reported to the former Forest Heath Performance and Audit Scrutiny Committee in October 2018, and details of the second case was attached as Appendix 1 to the report. With regards to the second case, the LGO felt the Council had already taken all necessary action to resolve the complaint. However, whilst it was disappointing that two cases had been upheld, this represented just 12.5% of the complaints the LGO considered in the year.
- 1.2.4 Historically, officers reported to the Forest Heath and St Edmundsbury Performance and Audit Scrutiny Committees where there was a finding of fault on the part of the Council, and the Council was required to pay compensation. This reporting was confirming to the Committee what had already occurred, as the Council was often given limited time to remedy such findings. With this in mind, officers suggest that in future, where the Ombudsman finds fault but the remedy suggested was less than £1,000, such cases would be included in the LGO annual report. Where the remedy suggested was more than £1,000, or in the rare event the officers considered the Council should reject the findings of the Ombudsman, such cases would be reported to the next meeting of the Performance and Audit Scrutiny Committee.
- 1.2.5 The Committee considered the report and asked questions, to which responses were provided. Members were pleased to note the low level of complaints raised with the LGO. However, members questioned when complaints were upheld by the LGO whether the Council reviewed its processes, to which officers duly responded and provided examples.
- 1.3 **Treasury Investment Limits 2019-2020 (Report No: PAS/WS/19/014)**
- 1.3.1 The Committee received **NOTED** the above report, which informed Members of a delegated decision made on 19 August 2019 to revise investment limits for un-rated building societies by £1m to a maximum of £2m per institution giving a maximum exposure of £12m in this class of investment.
- 1.3.2 The Council currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2018/2019, West Suffolk Council's investment balance ranged between £52.4m and £66.3m. During 2019/2020 and in future years, due to the Authority's Capital Programme, these levels were expected to fall dramatically. In the first months of this year the cash available for

investment had exceeded our forecast by £4m due to changes in profile of our capital programme and increased business rate retention receipts.

- 1.3.3 Following consultation with the Council's Treasury advisors Arlington, it was identified that the best opportunity available to the Council in terms of security, portfolio balances and returns would be to increase its investments with building societies.
- 1.3.4 Under the delegated authority, as per the Treasury Management Strategy, of the Portfolio Holder for Resources and Performance and the S151 Officer the investment limits for building societies had been changed from £1m to £2m for institutions that had no credit rating (this was normal for Building Societies). These institutions were still required to have an asset base of £1bn and the Council would only deal with the top15 institutions that met that criteria.
- 1.3.5 The increase in limits enabled the Council to place £1m each at Principality, Nottingham, National Counties and Newcastle Building Societies at reasonable rates (0.75%-0.81%) and remain within the revised Treasury Management Strategy limits.
- 1.3.6 The Committee considered the report and did not raise any issues.

1.4 **Approach to Delivering a Sustainable West Suffolk Council Budget 2020-2021 and Medium Term Financial Strategy 2020-2024 (Report No: PAS/WS/19/015)**

- 1.4.1 The Committee received the above report, which informed Members on the approach and timescales for the 2020-2021 budget setting process and medium term plans to 2024.
- 1.4.2 The report set out the background and context; future budget pressure and challenges; key assumptions; proposed approach for securing a balanced budget 2020-2024; timescales and next steps.
- 1.4.3 The Committee was informed that the starting position in its budget approach was from the existing approved medium term financial plan which at February 2019 was balanced for 2020/2021 followed by a budget gap of £2.7m in 2021/2022 and £3.9m (cumulative from 2021/2022) in 2022/2023. This had enabled the methodology for revising this outlook to be focussed on three areas:
 - 1 Challenging the pre-existing assumptions and updating these to reflect new knowledge and information.
 - 2 Collating new items or making changes to existing plans to reflect the outcome of the development of the West Suffolk 2020-2024 Strategic Framework and MTFS.
 - 3 Reflect any changes in the wider macro environment which require a change in approach.

- 1.4.4 Members considered the report in detail, the approach and timescales for the 2020-2021 budget setting process and the medium term financial strategy. Members asked a number of questions to which responses were provided. In particular, discussions were held on the Treasury Management Strategy; future investments in solar farms; investing in commercial properties within West Suffolk; the emerging Asset Management Strategy; and how the Council monitored its extensive range of assets held, to which comprehensive responses were provided.
- 1.4.5 There being no decision required at this stage, the Committee **NOTED** the contents of the report.

1.5 **Work Programme Update (Report No: PAS/WS/19/016)**

- 1.5.1 The Committee received Report No: PAS/WS/19/016, which provided information on the current status of its forward work programme for 2019-2020.
- 1.5.2 The Committee **NOTED** the contents of its forward work programme for 2019-2020.

2. Background Papers

- 2.1.1 Report No: [PAS/WS/19/012](#), [Appendix A](#) and [Appendix B](#) to the Performance and Audit Scrutiny Committee: Ernst and Young – Annual Audit Letters 2018-2019
- 2.1.2 Report No: [PAS/WS/19/013](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Local Government Ombudsman – Annual Report
- 2.1.3 Report No: [PAS/WS/19/014](#) to the Performance and Audit Scrutiny Committee: Treasury Investment Limits 2019-2020
- 2.1.4 Report No: [PAS/WS/19/015](#) to the Performance and Audit Scrutiny Committee: Approach to Delivering a Sustainable West Suffolk Council Budget 2020-2021 and Medium Term Financial Strategy 2020-2024
- 2.1.5 Report No: [PAS/WS/19/016](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Work Programme 2019-2020