

Performance and Audit Scrutiny Committee



Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 26 September 2019 at 5.00 pm** in the **Council Chamber**, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

Chair Ian Houlder

Vice Chair Karen Richardson

Richard Alecock

John Augustine

Trevor Beckwith

Mary Evans

Victor Lukaniuk

Elaine McManus

Robert Nobbs

John Smith

In attendance:

Sarah Broughton, Cabinet Member for Resources and Performance

23. Substitutes

The following substitution was declared:

Councillor Pat Hanlon substituting for Councillor Cliff Waterman.

24. Apologies for Absence

Apologies for absence were received from Councillor Cliff Waterman.

25. Minutes

The minutes of the meeting held on 25 July 2019 were confirmed as a correct record and signed by the Chair.

26. Public Participation

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

27. Ernst and Young - Annual Audit Letters 2018-2019

The Committee received Report No: PAS/WS/19/012, which updated members on the outcome of the annual external 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 (Forest Heath) and Appendix B (St Edmundsbury).

The letters were for information and confirmed the completion of the audits of the 2018-2019 financial statements for the former Forest Heath District Council and St Edmundsbury Borough Council.

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

Audit Fee - Code Work	Planned Fee 2018/2019 £	Final Fee 2018/2019 £
Forest Heath DC	36,253	TBC
St Edmundsbury BC	33,701	TBC

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

The fees for the certification work relating to the 2018-2019 Housing Benefit Subsidy Claim, as contained in the appendices, were summarised as follows:

Audit Fee - Grant Claims	Planned Fee 2018/2019 £	Final Fee 2018/2019 £
Forest Heath DC	14,960	TBC
St Edmundsbury BC	14,960	TBC

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.

The Committee was informed that the audit of the final statement of accounts was completed by EY on 16 August 2019. Furthermore, the information contained within the attached appendices was the same as was presented to the Committee in July 2019 by EY, except for one change which had been made to the value of the council's asset base.

Members considered the report and did not raise any issues.

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

28. **Local Government Ombudsman - Annual Report**

The Committee received Report No: PAS/WS/19/013, presented by the Cabinet Member for Resources and Performance, which set out 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.

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.

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.

Historically, officers reported to the Forest Heath and St Edmundsbury Performance and Audit 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 Committee.

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

The Committee discussed the five housing complaints in relation to St Edmundsbury and the one for Forest Heath last year, and questioned why St Edmundsbury was higher. In response officers explained that the LGO did not uphold any of those complaints. The two authorities had used the same officers and processes, therefore there should not have been an issue. At the time there was a difference in housing allocation between the two former Councils, which was resolved when we became West Suffolk Council, and it might be a statistical anomaly or St Edmundsbury residents had a higher tendency to register complaints. However, officers agreed to provide a written response.

The Committee also discussed the one case where the Council had not issued a letter to the resident when a couple of properties were built beside them, and questioned whether the Council had done anything specifically different following the outcome, such as changes made to procedures or IT systems, to which officers agreed to provide a written response.

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.

There being no decision required, the Committee **noted** the recommended approach to reporting Ombudsman complaints, as set out in Section 4 of Report No: PAS/WS/19/013.

29. **Treasury Investment Limits 2019-2020**

The Committee received Report No: PAS/WS/19/014, 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.

The Council currently held 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.

Following consultation with the councils Treasury advisors Arlingclose, 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.

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 a maximum of £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 top 15 institutions that met that criteria.

The total potential exposure to the sector would increase in turn from £6m to £12m. 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.

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

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

30. **Approach to Delivering a Sustainable West Suffolk Council Budget: 2020-2021 and Medium Term Financial Strategy 2020-2024**

The Committee received Report No: PAS/WS/19/015, which informed Members on the approach and timescales for the 2020-2021 budget setting

process and medium term plans to 2024. The report included information on the background and context; future budget pressure and challenges; key assumptions; proposed approach for securing a balanced budget 2020-2024; timescales and next steps.

The 2020-2021 budget and medium term financial plans and approach would continue to follow the current West Suffolk Council Strategic Framework (three priorities – Growth, Housing and Families and Communities) and Medium Term Financial Strategy (six themes) below, until such time as a new set of priorities and themes emerge.

1. aligning resources to both West Suffolk councils' strategic plan and essential services;
2. continuation of the shared service agenda and transformation of service delivery;
3. behaving more commercially;
4. considering new funding models (e.g. acting as an investor);
5. encouraging the use of digital forms for customer access; and
6. taking advantage of new forms of local government finance (e.g. business rate retention).

The 2020-2021 budget and medium term financial plans assumed the seven year (now six year) council tax harmonisation plan as set out in the Budget and Council Tax setting report to Shadow Council in February 2019. As was the case each year, the formal setting of council tax would be subject to the annual democratic process through to February Council in 2020.

There were limitations on the degree to which West Suffolk could identify all of the potential changes within its medium term financial projections. It was also important to remember that these financial models had been produced within a financial environment that was constantly changing and would be subject to significant change over time.

The starting position in the councils 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 MTSF.
- 3 Reflect any changes in the wider macro environment which require a change in approach.

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 comprehensive responses were provided.

In particular, discussions were held on the Treasury Management Strategy and the priority of securing money in a safe place –v- maximising our yield; future investments in solar farms and the potential for being the land owner; investing in commercial properties within West Suffolk and the social and economic value; the emerging Asset Management Strategy; and how the Council monitored its extensive range of assets held, to which comprehensive responses were provided.

In response to a question raised on how the council monitored investments, officers explained the council had around 700 properties in its portfolio and new investments were monitored in a number of ways, such as through the Annual Report, the balance sheet in the Annual Statement of Accounts and the Financial Resilience Sub-Committee, which was a Sub-Committee of the Performance and Audit Scrutiny Committee.

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

31. **Work Programme 2019-2020**

The Committee received Report No: PAS/WS/19/016, 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 6.10 pm

Signed by:

Chair
