

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held via **MS TeamsLive** remote meeting platform on **Thursday 28 January 2021** at **5.00pm**.

Present

Councillors

Chair Ian Houlder

Vice Chair Karen Richardson

John Augustine

Mary Evans

Victor Lukaniuk

Andy Neal

Robert Nobbs

Peter Thompson

Cliff Waterman

Phil Wittam

In attendance

Sarah Broughton, Cabinet Member for Resources and Performance

Mark Hodgson, Associate Partner, Ernst and Young LLP

36. **Substitutes**

No substitutions were declared.

37. **Apologies for absence**

Apologies for absence were received from Councillor Elaine McManus.

Councillor John Smith was also unable to attend the meeting.

38. **Minutes**

The minutes of the meeting held on 19 November 2020 were confirmed as a correct record by the Chair.

39. **Declarations of interest**

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

40. **Public participation**

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

41. **Ernst and Young - Annual Audit Letter 2019-2020**

The Committee received report number PAS/WS/21/001, presented by Mark Hodgson, Associate Partner from Ernst and Young, which updated members on the outcome of the annual audit of the 2019-2020 financial statements by Ernst and Young (EY), the council's external auditors as detailed in their Annual Audit Letters for the year ended 31 March 2020, attached as Appendix A. The letter was for information and confirmed the completion of the audit for the 2019-2020 financial statements for West Suffolk Council.

Following the completion of the audit, EY were required to issue an Annual Audit Letter to the council and external stakeholders, including members of the public, communicating the key issues arising from their work.

The letter also contained the proposed final fee for the audit which incorporated the original planned scale fee of £66,925 along with proposed further charges for both the scale fee and the additional work required over the course of the audit. The final fee was subject to ongoing discussions with, and agreement by, the Assistant Director (Resources and Performance).

Members considered the report and did not raise any issues.

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

42. **2020-2021 Performance Report (Quarter 3)**

The Service Manager (Finance and Resources) presented Report number PAS/WS/21/002, which set out the Quarter 3 performance and financial outturn position for 2020-2021 up to 31 December 2020, and the impact of Covid-19; next steps and principles for future financial planning.

Since the outbreak of Covid-19 in the UK, a number of events had occurred which had had a significant impact on West Suffolk Council's financial position. Some of these had been restrictions imposed by Government that had affected West Suffolk Council's investments and services; and others had been announcements of Government financial support.

The Council had played its part in responding to Covid-19 in supporting businesses and the most vulnerable as well as running essential services. The monthly returns to the Ministry for Housing, Communities and Local Government had detailed the financial impacts of Covid-19, and generally the forecast impacts had remained consistent on a month by month basis. The latest submission showed a total impact of £11.3m (costs of £3.1m and lost income of £8.2m). However, it should be noted that these were required to be gross figures and therefore an element of the additional costs such as internal staff redeployment and costs savings had also been factored into the figures.

Through the work of the council, funding of these costs through existing budgets the external grants the current forecast showed these variances to reduce to an overall impact of £2.6m on the council's budget, of which £1.4m was on the council's general fund balance. This had consequently impacted

on a number of our local performance indicators, most noticeably around housing and homelessness.

The impact of Covid-19 was likely to be felt for years to come as the council will need to make provision in its medium-term budget plans for the impact on the collection fund deficits, and the replenishment of its earmarked reserves and general fund balances.

Attached to the Quarter 3 performance report were a number of appendices which set out the performance and financial outturn position for 2020 to 2021 as follows:

- Appendix A: Performance Indicators – Commentary
- Appendix B: Performance Indicators – Growth
- Appendix C: Performance Indicators – Families and Communities
- Appendix D: Performance Indicators – Housing
- Appendix E: Performance Indicators – Day to Day
- Appendix F: Income and Expenditure Report
- Appendix G: Capital Programme
- Appendix H: Earmarked Reserves
- Appendix I: Strategic Risk Register

Members considered the report in detail and asked questions of the Assistant Directors, to which responses were provided. Discussions were also held on whether the temporary housing units in Olding Road, Bury St Edmunds were still being used; government grants; staff sickness reporting which had fallen and whether performance indicators for 2021-2022 would be adjusted upwards, for instance the Key Performance Indicator for the percentage of contacts made online or by email.

At the conclusion of the discussions, the Committee **noted** the:

- Impact of Covid-19 on the Council's current financial year 2020 to 2021 (Section 1 of the report).
- Next steps and principles for future planning (Section 2 of the report).
- 2020 to 2021 Revenue and Capital positions as detailed in the report and appendices.

43. **Delivering a Sustainable Medium-Term Budget**

The Committee received Report number PAS/WS/21/003, which explained that at its meeting on 30 July 2020, the Performance and Audit Scrutiny Committee (PASC) supported Cabinet in the next steps and principles for future financial planning across the medium term. The approach was designed to enable the council to respond effectively to changing circumstances whilst maintaining a medium-term focus on the council's financial sustainability.

At its meeting on 19 November 2020, the Committee supported the key budget assumptions underpinning the 2021-2022 and medium-term budgets for West Suffolk Council.

This meeting, report number PAS/WS/21/003 updated the Committee on those key budget assumptions as a result of both the provisional settlement announced on 25 November 2020 and the detailed budget process undertaken by service areas supported by their finance business partners during November and December 2020.

The report set out the scale of the financial challenge for West Suffolk Council for 2021-2022 and in the medium-term, and the plans to address those financial challenges in enabling the council to meet its statutory responsibility to set a balanced budget for the forthcoming year. The report and its proposals would feed into the main budget setting report due to be considered at Council on 23 February 2021.

The report included proposals and key budget assumptions, which were set out in Section 2 of the report. Attached at Appendix A was the spending review provisional update and attached at Appendix B, Table 1 sets out the key budget assumption changes.

The Performance and Audit Scrutiny Committee considered the report including the proposed key budget assumptions and did not raise any issues to be brought to the attention of Cabinet.

Councillor Phil Wittam then moved the recommendation, this was duly seconded by Councillor John Augustine, and with the vote being unanimous, it was:

RECOMMEDED:

That Cabinet be recommended to include the proposals as detailed in Section 2 and Table 1 at Appendix B, of Report number PAS/WS/21/003, in the medium-term financial plans.

44. Financial Resilience Report (December 2020)

The Committee received report number FRS/WS/21/001, which had been scrutinised in detail by the Financial Resilience Sub-Committee on 18 January 2021. The Service Manager (Resources and Performance) provided a verbal update on the Sub-Committee's consideration of the report, which summarised the investment activities from 1 April 2020 to 31 December 2020.

It was reported that the total amount invested at 1 April 2020 was £29,900,000 and at 31 December 2020, £38,900,000.

The 2020-2021 Annual Treasury Management and Investment Strategy Statements sets out the Council's projections for the current financial year. The budget for investment income for 2020-2021 was £142,141, which was based on a 0.65% target average rate of return on investments.

As at the 31 December 2020, interest actually earned during the nine months of the financial year amounted to £73,250.00 against a profiled budget for the period of £106,605 a budgetary deficit of £33,355. The deficit related to

continued low interest rates as a result of Covid-19 pandemic which started in March 2020.

The report also included a summary of the borrowing and capital costs - affordability; borrowing and income – proportionality; borrowing and asset yields; borrowing and temporary loans and other market considerations.

As at the end of December 2020, a total of £16.8m had been borrowed internally to fund agreed business case investments from available cash balances. This had meant the Council had not had any additional external borrowing over the long-term £4 million loan.

The Sub-Committee had scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided. In particular, the Sub-Committee discussed negative interest rates; whether the council had start-up plans for any new tenants for industrial/rental units; and what provision was in place for debt collection relating to industrial and retail units

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

Councillor Robert Nobbs then moved the recommendation this was duly seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was

RECOMMENDED:

That subject to the approval of Cabinet and Council, the Financial Resilience Report (December 2020), being report number: FRS/WS/21/001, be approved.

45. Financial Resilience - Strategy Statement 2021 to 2022 and Treasury Management Code of Practice

The Committee received Report No: FRS/WS/21/002, which sought members approval of the Financial Resilience Strategy Statement 2021 to 2022 (Appendix 1) and the Treasury Management Code of Practice (Appendix 2).

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice required that, prior to the start of each financial year, the Council formally approves a Treasury Management Policy Statement and Investment Strategy setting out its treasury management policy and strategy for the forthcoming year.

The report also included additional supporting information on treasury advisors; borrowing strategy; investment strategy counterparty ratings and interest rate projections.

The Financial Resilience Sub-Committee scrutinised the report on 18 January 2021, and asked questions to which responses were provided. In particular, discussions were held on the municipal bonds agency; borrowing limits and internal borrowing.

The Performance and Audit Scrutiny Committee considered the report and asked questions relating to the Council's borrowing strategy, to which responses were provided.

Councillor Phil Wittam then moved the recommendations, these were duly seconded by Councillor Karen Richardson, and with the vote being unanimous it was:

RECOMMENDED: That

1) Subject to the approval of Cabinet and Council, the Financial Resilience Strategy Statement 2021 to 2022, attached as Appendix 1 to Report No: FRS/WS/21/002, be approved.

2) Subject to the approval of Cabinet and Council, the Treasury Management Code of Practice, attached as Appendix 2 to Report No: FRS/WS/21/002, be approved.

46. Work programme update

The Committee received report number: PAS/WS/21/004, which updated members on the current status of its rolling work programme of items for scrutiny during 2021 (Appendix 1).

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

The meeting concluded at 6.09 pm

Signed by:

Chair
