

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 29 July 2021** at **5.00 pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present **Councillors**

Chair Ian Houlder
Vice Chair Karen Richardson

Nick Clarke	Andy Neal
James Lay	Robert Nobbs
Victor Lukaniuk	Peter Thompson
Elaine McManus	Phil Wittam

Substitutes attending for a full member
Pat Hanlon

In attendance
Sarah Broughton, Cabinet Member for Resources and Performance

59. **Substitutes**

The following substitution was declared:

Councillor Pat Hanlon substituting for Councillor Cliff Waterman.

60. **Apologies for absence**

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

61. **Minutes**

The minutes of the meeting held on 27 May 2021 were confirmed as a correct record and signed by the Chair.

62. **Formal decision making on 'minded to' decisions**

Taking into account the 'minded to' decisions made during the non-decision-making virtual meeting of the Performance and Audit Scrutiny Committee held on 27 May 2021, the Committee was required to formally resolve the following matters:

1. Minutes of the meeting held on 28 January 2021.
2. Outline Internal Audit Plan 2021-2022

3. Appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee:

a. Financial Resilience Sub-Committee:

Councillor Ian Houlder (Conservative Group)
Councillor Elaine McManus (Conservative Group)
Councillor Victor Lukaniuk (The Independent Group)

Councillor Robert Nobbs (Conservative Group – Substitute)

b. Health and Safety Sub-Committee:

Councillor Nick Clarke (Conservative Group)
Councillor Ian Houlder (Conservative Group)
Councillor Elaine McManus (Conservative Group)
Councillor Robert Nobbs (Conservative Group)
Councillor Andy Neal (The Independent Group)
Councillor Cliff Waterman (Labour Group)

Councillor James Lay (Conservative Group – Substitute)
Councillor Phil Wittam (The Independent Group – Substitute)

It was then proposed by Councillor Elaine McManus, seconded by Councillor Robert Nobbs, and with the vote being unanimous it was:

RESOLVED:

That:

- 1) The minutes of the meeting held on 28 January 2021, be confirmed as a correct record, and signed by the chair.
- 2) The Outline Internal Audit Plan 2021-2022 be approved.
- 3) The appointments to the Financial Resilience Sub-Committee and the Health and Safety Sub-Committee, be approved.

63. **Declarations of interest**

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

64. **Public participation**

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

65. **2021-2022 Performance Report (Quarter 1)**

The Service Manager (Resources and Performance) presented report number: PAS/WS/21/012, which set out the impact of Covid-19 and the Quarter 1 performance and forecast year-end financial position for 2021 to 2022.

The Service Manager (Resources and Performance) referred to page 13 of the report, setting out the key headlines for the current revenue outturn position, which showed a balanced forecast year end position. This position took into account the £2m provision for the effects of Covid-19 in the 2021 to 2022 approved budget, based on £1.1m anticipated pressures and utilisation of the £0.9m local authority Covid-19 support grant.

Whilst the overall level of the council's General Fund and reserve would be reassessed in light of the pandemic, a small amount of the General Fund (£3,000) was proposed to be utilised in order to fund the remaining forecast deficit. The council's financial position and ability to reduce the impact where possible had been helped by previous financial planning and the creation of the West Suffolk Council as well as quick and effective action to reduce costs as guidance and infection rates changed.

The Service Manager (Resources and Performance) then referred to page 14 of the report, which set out a graphical representation on how Covid-19 had impacted the council over the year. The first graph showed the financial impact of Covid-19 and the second graph showed how the impact had been mitigated.

Attached to the Quarter 1 performance report were a number of appendices which set out the performance and financial position for 2021-2022, 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

The Service Manager (Resources and Performance) then referred to page 19 of the report, which set out the financial summary and the key performance indicators which showed pressure in finding temporary accommodation. There was also an impact on the council's income drivers, for example on car parking income and the Apex, and the debt position was still over 90 days, which related to small number of historic property related debts. However, there were green indicators relating to income from trade waste and street scene services.

Members considered the report in detail and asked questions to which responses were provided.

In particular discussions were held on the following:

- Total amount of debt over 90 days – Officers explained that the bad debt provision for 2021-2022 had increased by £100k. Out of the £903,803 debt over 90 days, £650k related to previous years debt.

- Appendix E (Performance Indicators – day-to-day) - “Percentage of collection of business rates” and the National Health Service (NHS) trusts claim for charitable rate relief. Officers explained the NHS trusts had lodged an appeal with the High Court, which had now been withdrawn and was no longer a risk to the council;
- Appendix G (Capital Programme) - “High Street, Haverhill improvements” - Members sought assurances around what was meant by the “fund being reviewed”;
- Appendix G (Capital Programme) – Brandon Leisure Centre - Officers confirmed that the project was on track and on budget.
- Whether the Apex was now back to full capacity – Officers confirmed the council was monitoring the up-take on ticket sales; and
- How well the council was positioned financially if there was another Covid-19 lockdown.

In response to a question raised relating to historical debt, members were informed that there were a small number of properties with large debts. This includes a number of national firms who were refusing to pay nationally. Steps were being taken to address this and some progress was being made. The Government had extended the moratorium on commercial evictions to March 2022.

At the conclusion of the discussions, and there being no decision required, the Committee **noted** the:

- Impact of Covid-19 on the Council’s current financial year 2021 to 2022.
- Forecast for the 2021 to 2022 Revenue and Capital positions as detailed in the report and appendices.

66. **Annual Treasury Management and Financial Resilience Report (2020 to 2021)**

The Committee received Report No: FRS/WS/21/003, which had been considered by the Financial Resilience Sub-Committee on 12 July 2021. The Service Manager (Finance and Performance) provided a verbal update on the Sub-Committee’s consideration of the report, which summarised the Annual Treasury Management and Financial Resilience Report (2020 to 2021).

The report included tables which summarised the interest earned, and the average rate of return achieved; treasury management investment activity during the year; investments held as at 31 March 2021; capital borrowing budget 2020 to 2021; borrowings and temporary loans.

The budget for investments income in 2020 - 2021 was £131,000 which was based on a 0.65% target average rate of return on investments. At the end of March 2021 interest actually earned during the financial year totalled £96,767 (average rate of return of 0.354%), against a budget for the year of £131,000, a budgetary deficit of £34,233. The deficit related to the

continued low interest rates as a result of the Covid-19 pandemic which started in mid-March 2020. The deficit formed part of the financial outturn report presented to the Committee on 27 May 2021 (report number: PAS/WS/21/008).

The report also included assumptions on borrowing costs for the capital projects included within it and was based around four main projects:

- West Suffolk Operational Hub;
- Mildenhall Hub;
- West Suffolk Operational Hub; and
- Investing in our Growth Fund.

During the financial year there had been no requirement to borrow externally, due to the Authority's cash balances, over and above the long-standing £4m loan relating to the Newmarket Leisure Centre. Therefore, the only interest payable for the year was £169,600 relating to this loan. The total borrowing (expressed as the Authority's capital financing requirements) between both internal and external (£4m) total £49.4m at 31 March 2021.

The report also included at Appendix A the CIPFA Financial Resilience Index 2021. The index showed a Council's position on a range of measures associated with financial risk. The graphs showed West Suffolk Council within the context of neighbouring Councils within Suffolk.

The Sub-Committee had scrutinised the Annual Treasury Management and Financial Resilience Report (2020 to 2021), and asked questions to which responses were provided. Discussions were held on the Councils asset base and rental income; and the merits of currently borrowing internally verses externally to fund capital projects.

The Performance and Audit Scrutiny Committee considered the report and asked questions to which responses were provided. In particular discussions were held on external borrowing, low interest rates and the true cost of borrowing internally verses forgone interest.

In response to a question raised asking why the council had not yet borrowed externally whilst the interest rates were low to fund large projects, officers explained the council was in constant contact with its treasury advisors, Arlingclose about future borrowing. At present, there was no immediate urgency to borrow externally as internal cash balances were available and the advisors felt current rates available would continue for some time, but the situation was actively being monitored.

Officers further explained that all capital projects had been evaluated on external borrowing costs, with contingencies being built into each projects business case.

Members did not raise any issues at this time to be brought to the attention of Cabinet.

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

RECOMMENDED:

That subject to the approval of Cabinet and Council the Annual Treasury Management and Financial Resilience Report (2020 to 2021), being Report No: FRS/WS/21/003, be approved.

67. Financial Resilience Report (June 2021)

The Committee received Report No: FRS/WS/21/004, which had been considered by the Financial Resilience Sub-Committee on 12 July 2021. The Service Manager (Finance and Performance) 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 2021-2022 financial year.

The 2020-2021 Annual Treasury Management and Investment Strategy sets out the Council's projections for the current financial year. The budget for investment income for 2021 to 2022 was £45,000, which was based on a 0.25% target interest rate of return on investments.

At the end of June 2021, interest earned during the first quarter of the financial year amounted to £16,517 against a profiled budget for the period of £11,250, a budget surplus of £5,267.

External borrowing as at 30 June 2021 remained at £4m with the council's level of internal borrowing increasing slightly to £46,712,000 as at 30 June 2021. Overall borrowing, both external and internal was expected to increase over the full financial year, but not by as much as was originally budget for.

Attached at Appendix 1 to the report was Arlingclose economic and interest rate forecast.

The Service Manager (Finance and Performance) referred the committee to a graph set out in paragraph 5.3 of the report, which showed historic Public Works Loan Board (PWLB) interest rates over the previous two years for different durations based on borrowing using the annuity method. The PWLB rates fluctuated on a daily basis as they were linked to the UK Gilt rates. Currently PWLB rates were at 1% above the relevant UK Gilt rate.

The council, along with Arlingclose, the council's treasury advisor would continue to explore alternative sources of borrowing to ensure the council would be ready to borrow externally in the most advantageous way when it needed to.

The Sub-Committee had scrutinised the investment activity for 1 April 2021 to 30 June 2021, and asked questions to which responses were provided

The Performance and Audit Scrutiny Committee considered the report and asked questions to which responses were provided. In particular discussions were held on external borrowing and the historically low interest rates and the borrowing strategy for the Western Way Development.

In response to a question raised as to what the external borrowing trigger was for the council, officers explained that Arlingclose had offered a trigger of

£70m. The council was currently holding back on borrowing externally as it had a cash balance of over £30m in the bank. Whilst interest rates remained low in the short to medium term, and the Council held significant cash balances, Arlingclose's advice was to continue to use cash reserves and short-term borrowing where necessary. The council was currently developing a business case on a number of options with Arlingclose on external borrowing for the Cabinet Member (Resources and Performance) consideration, which would provide certainty. For example, the Western Way Development would have a fixed interest rate to provide certainty when borrowing was necessary for that project.

Members did not raise any issues at this time to be brought to the attention of Cabinet.

It was then proposed by Councillor Phil Wittam, seconded by Councillor Andy Neal, and with the vote being unanimous, it was:

RECOMMENDED:

That subject to the approval of Cabinet and Council the Financial Resilience Report (June 2021), being Report No: FRS/WS/21/004, be approved.

68. Work programme update 2021 - 2022

[Councillor Andy Neal left the meeting at 6.10pm during the consideration of this item.]

The Committee received report number: PAS/WS/21/013, which updated members on the current status of its rolling work programme of items for scrutiny during 2020-2021 (Appendix 1).

The Director (Resources and Property) informed the Committee that the council had issued the Draft Statement of Accounts (2020 to 2021) prior to the deadline of 31 July 2021. The Draft Statement of Accounts (2020 to 2021) were currently scheduled to be considered by the Committee at its November 2021 meeting. The Chair of the Committee would be kept up to date on the audit process of the Accounts by Ernst and Young.

There being no decision required, the Committee **noted** the update.

The meeting concluded at 6.14 pm

Signed by:

Chair
