

# Report of the Performance and Audit Scrutiny Committee: 25 January 2024

|  |   |                 |
|--|---|-----------------|
| <b>Report number:</b>  | <b>CAB/WS/24/006</b>  |                 |
| <b>Report to and date:</b>   | <b>Cabinet</b>  | 6 February 2024 |
| <b>Cabinet member:</b>   | Councillor Diane Hind<br>Portfolio Holder for Resources<br>Email: <a href="mailto:diane.hind@westsuffolk.gov.uk">diane.hind@westsuffolk.gov.uk</a>  |                 |
| <b>Chair of the<br/>Performance and<br/>Audit Scrutiny<br/>Committee</b> | Councillor Peter Armitage<br>Performance and Audit Scrutiny Committee<br>Email: <a href="mailto:peter.armitage@westsuffolk.gov.uk">peter.armitage@westsuffolk.gov.uk</a>                  |                 |
| <b>Lead officer:</b>   | Christine Brain<br>Democratic Services Officer (Scrutiny)<br>Telephone: 01638 719729<br>Email: <a href="mailto:christine.brain@westsuffolk.gov.uk">christine.brain@westsuffolk.gov.uk</a> |                 |

**Decisions Plan:** This item is not required to be included in the Decisions Plan.

**Wards impacted:** All Wards.

**Recommendation:** It is recommended that Report number: CAB/WS/24/006, being the report of the Performance and Audit Scrutiny Committee, be noted.

## 1. Context to this report

1.1 On 25 January 2024, the Performance and Audit Scrutiny Committee considered the following items:

1. Delivering a Sustainable Medium-Term Budget
2. Internal Audit Report on Bank Mandate Fraud
3. CIPFA Guidance on Audit Committees
4. Co-opting Non-elected Independent Members
5. 2023 to 2024 Performance Report (Quarter Three)
6. Treasury Management Report (December 2023)
7. Annual Financial Resilience Management Statement and Investment Strategy Statements (2024 to 2025)
8. Work Programme Update

Separate reports are included on the Cabinet agenda for Items 1, 6 and 7 above.

## 2. Proposals within this report

2.1 **Internal Audit Report on Bank Mandate Fraud (Report number: PAS/WS/24/002)**

2.1.1 A fraud incident was previously reported to the Performance and Audit Scrutiny Committee in the Internal Audit Mid-Year report in November 2023. Report number [PAS/WS/24/002](#) provided additional information regarding the mandate fraud to further inform members.

2.1.2 [Appendix A](#) explained what happened and actions taken to mitigate the risk of fraud re-occurring whilst omitting any specific details which could identify parties involved or provide fraudsters with information that could be useful to them.

2.1.3 The Committee voted to consider in detail **Exempt Appendix B** in private session.

2.1.4 At the conclusion of discussions held in private session, the press and public were readmitted, and the Committee **noted** the contents of the report.

2.2 **CIPFA Guidance on Audit Committees (Report number: PAS/WS/24/003)**

2.2.1 There is an increasing focus on all local authority financial and governance matters including local audit committee arrangements, given the recent failings and/or struggles of a small number of authorities.

- 2.2.2 The above report set out the recent guidance from CIPFA regarding audit committees, which had been reviewed against the council's current arrangements. A number of proposals were set out in paragraphs 2.2 to 2.10 of the report to further strengthen these arrangements in key areas of the Performance and Audit Scrutiny Committee's activity, namely:
- Oversight of significant collaboration arrangements and governance arrangements for the authority's partnerships.
  - Review by the Performance and Audit Scrutiny Committee of draft financial statements prior to external audit.
  - Statement of accounts and external audit report to go to full council.
  - The audit committee should be no more than eight members and the use of substitutes avoided.
  - Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme should be developed.
  - The audit committee should have no other functions, and explicitly no decision-making role.
  - Members should sit on the audit committee for no more than two full terms, to maintain independence.
  - Member training.
  - The audit committee should have co-opted independent members – DLUHC recommend at least one and CIPFA recommend two.
- 2.2.3 The Committee considered the report in detail, and asked questions to which responses were provided.
- 2.2.4 Some members raised concerns about the CIPFA guidance suggesting that members should not sit on the committee for no more than two full terms. In response officers advised the council was not suggesting limiting members to two full terms and agreed to make the wording clearer in paragraph 2.8 of the report.
- 2.2.5 In response to a question raised on why CIPFA was suggesting no more than eight members on the committee as the council's constitution currently allows for "up to 12 members", officers agreed to raise the issue with CIPFA to find out their reasoning behind having eight members.
- 2.2.6 At the conclusion of the discussions the Committee **voted to endorse** the proposals set out in paragraphs 2.2 to 2.10 to strengthen West Suffolk Council's audit committee arrangements.

2.3 **Co-opting Non-elected Independent Members (Report number: PAS/WS/24/004)**

2.3.1 It was reported that under the previous agenda item, a Position Statement had been issued by the Chartered Institute of Public Finance and Accountability. The position statement contained several recommendations including that local authorities include at least two co-opted independent members on their audit committees.

2.3.2 The above report sought the Committee's agreement to the principle of appointing two non-elected members to the Committee and detailed the steps that will be taken, as the committee, and by all members at Full Council, to enable the committee to make the appointments at its meeting in September. The Committee was also asked to focus on the independent expertise and experience that it wished to bring into the committee so that this can be included as part of the role profile and recruitment pack which we be presented for consideration at our meeting in May 2024.

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

2.3.4 At the conclusion of the discussions the Committee **voted to:**

1. **Agree** to the principle of co-opting two non-elected independent members to the Performance and Audit Scrutiny Committee, as part of the current 12 membership of the Committee.
2. **Approve** the approach to co-opting independent members as set out in Section 2 and the next steps at Paragraph 2.8 of report number [PAS/WS/24/004](#).

2.4 **2023 to 2024 Performance Report (Quarter three) (Report number: PAS/WS/24/005)**

2.4.1 The Cabinet Member for Resources presented report number [PAS/WS/24/005](#), which set out the quarter three performance and the forecast 2023 to 2024 revenue and capital position. The report included an update on the Key Performance Indicators (KPIs) following the last meeting of the Committee, where it discussed whether these should be reduced to more manageable levels. Officers were currently working on a review of all the current KPIs in order for Portfolio Holders to select the suite of indicators to monitor in 2024 to 2025.

2.4.2 The Cabinet Member then highlighted a number of KPIs, being:

|                            |   |
|----------------------------|---|
| Car parking events by town | At the Committee's request, indicators for car parking events by town had been included and |
|----------------------------|---|

|  |  |
|--|--|
|  | was showing good progress in the post COVID recovery.  |
| Number of Housing Health and Safety Rating System hazards removed or reduced | During 2023 to 2024 to date, there has been greater activity in identifying and resolving housing standards issues, particularly around damp and mould, in light of a greater focus on these issues.   |
| Anglia Revenue Partnership (ARP) – Days taken to process benefits            | Whilst the length of time taken to process claims is currently exceeding the target, ARP have a plan in place to address this, with the aim of meeting the year-end target. Problems faced have been a system issue around the Council Tax Reduction claims; and the fact that the remaining Housing Benefit claims are the most complex ones as the Universal Credit migration continues. |

The Committee had previously requested data on Universal Credit take-up by town, and the cost of planning appeals, and these were currently being worked on and would be presented in Quarter 4.

2.4.3 Attached to the Quarter three performance and forecast year-end financial position for 2023 to 2024 were a number of appendices as follows:

- Appendix A: Key Performance Indicator Dashboards
- Appendix B: Income and expenditure report
- Appendix C: Capital programme
- Appendix D: Earmarked reserves
- Appendix E: Strategic risk register
- Appendix Ei: West Suffolk Risk Management Toolkit
- **Exempt Appendix F:** Aged debt over 90 days summary
- Appendix G: List of available Key Performance Indicators (KPIs)
- Appendix H: Environment and Sustainability Reference Group quarterly progress report

2.4.4 The Cabinet Member for Resources then presented the financial element of the report which covered the forecast year-end outturn as at Quarter 3, which was showing an overall balanced position. This positive position included the release of £572,000 of the planned top-up to the general fund of £800,000. Officers are continuing to review the position as the progresses, but this forecast will mean the general fund will increase to £5.3 million by the year end. The Council is forecasting to spend £19.7 million within the year – further details on individual capital progress are set out [Appendix C](#).

2.4.5 The councils reserve position remains strong with a forecast balance of £41.2 million, against a budgeted closing balance of £36.6 million. The majority of the variance relates to timing of expenditure into the next

financial year relating to capital programme spend. The net under-utilisation is primarily due to savings on borrowing costs and higher interest receivable.

- 2.4.6 Following the last Committee meeting, a further review has been taking place on the Strategic Risk Register in the context of how the council assesses and rates risks. The review included an initial update to the Risk Management Toolkit which provides a framework for identifying, assessing and rating risk, and is attached at [Appendix Ei](#).
- 2.4.7 The Committee considered the report in detail and asked a number of questions to which responses were provided. In particular discussions were held on the KPI's; the financial forecast summary and the risk register.
- 2.4.8 In response to a suggestion regarding including new KPIs for staff vacancies and access to social media by the public, officers agreed that a KPI for staff vacancies could be included.
- 2.4.9 In response to a question raised on the suggestion of having a rolling programme of KPIs, the Committee was advised that this could be achieved in a number of ways by either:
- Identifying the Office of Local Government (Oflog) KPIs;
  - Identifying KPIs by Portfolio Holder or the councils' strategic priorities, along with exception reporting;
  - Having a standard suite of KPIs.
- 2.4.10 In response to a question raised on the Risk Register, in particular risk WS12 "Partner / Public Sector Failure" as it was felt there was no mitigation around the avoidance of "cost shunting". The Committee was advised that following the review of the risk register, the risk had moved, but the council was being prudent by still showing it as a red risk. The council was engaging with partners and actions were being taken on limiting any cost shunting.
- 2.4.11 At the conclusion of the discussions, the Committee:
- **Noted** the forecast 2023 to 2024 revenue and capital positions as detailed in Report number [PAS/WS/24/005](#) and attached appendices.
  - **Noted** the risk management review process to date.

2.5 **Work programme update (Report number: PAS/WS/24/006)**

2.5.1 The Committee received and **noted** report number [PAS/WS/24/006](#) and [Appendix 1](#), which provided information on the current status of its forward work programme for 2024.

3. **Alternative options that have been considered**

3.1 Please see background papers.

4. **Consultation and engagement undertaken**

4.1 Please see background papers.

5. **Risks associated with the proposals**

5.1 Please see background papers.

6. **Implications arising from the proposals**

6.1 Financial – Please see background papers.

6.2 Equalities – Please see background papers.

7. **Appendices referenced in this report**

7.1 Please see background papers.

8. **Background documents associated with this report**

8.1 Report number: [PAS/WS/24/002](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Internal Audit Report on Bank Mandate Fraud

8.2 Report number: [PAS/WS/24/003](#) to the Performance and Audit Scrutiny Committee: CIPFA Guidance on Audit Committees

8.3 Report number: [PAS/WS/24/004](#) and [Appendix A](#) to the Performance and Audit Scrutiny Committee: Co-opting Non-elected Independent Members

8.4 Report number: [PAS/WS/24/005](#) and [Appendix A](#), [Appendix B](#), [Appendix C](#),

[Appendix D](#), [Appendix E](#), [Appendix Ei](#), [Appendix G](#) and [Appendix H](#) to the Performance and Audit Scrutiny Committee: 2023 to 2024 Performance Report (Quarter 3)

8.5 Report number: [PAS/WS/24/006](#) and [Appendix 1](#) to the Performance and Audit Scrutiny Committee: Work Programme Update