

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 25 January 2024** at **5.00 pm** in the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present **Councillors**

Chair Peter Armitage

Vice Chair Frank Stennett

Richard Alecock

John Augustine

Mike Chester

Nick Clarke

Janne Jarvis

Andy Neal

Sue Perry

Karen Richardson

Phil Wittam

In attendance

Diane Hind, Cabinet Member for Resources

Victor Lukaniuk, Deputy Leader

Cliff Waterman, Leader

227. **Substitutes**

No substitutions were declared.

228. **Apologies for absence**

Apologies for absence were received from Councillor Ian Houlder.

229. **Minutes**

The minutes of the meeting held on 23 November 2023 were confirmed as a correct record and signed by the Chair.

230. **Declarations of interest**

[Councillor Nick Clarke arrived at 5.04pm during this item.]

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

231. **Public participation**

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

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

The Cabinet Member for Resources presented report number PAS/WS/24/001, which provided an update on the challenges all councils, including West Suffolk Council faced in the delivery of council services as well as providing an update on the latest funding details from Government.

The report set out new pressures the council would be facing from next year, from those which had already been assumed in the indicative 2024 to 2025 budget set in February 2023, of which £5 million for the year, pressures that would now form (in the most cases) a new cost base for all future year's budgets. These pressures were due to the continued impact of inflation, utility costs and the cost-of-living crisis which had inflated prices as well as demand for services. Attached to the report were a number of appendices, namely:

- Appendix A – Budget assumption changes.
- Appendix B – Proposed revenue budget following changes set out in Appendix A.
- Appendix C – (including Appendix Ci; Cii and Ciii) – Proposed West Suffolk capital programme.
- Appendix D – (including Appendix Di; Dii; Diii; Div and Dv) – Revenue reserves.
- Appendix E – (including Appendix Ei) – Fees and charges 2024 to 2025.
- EXEMPT Appendix Fi; Fii and Fiii (Exempt business cases to support new strategic capital projects).

Appendix A to the report provided proposed changes to the budget assumptions from those used in the February 2023 Budget and Council Tax Report, alongside growth in service demand, support towards the new strategic priorities and anticipated savings and initiatives proposed or delivered to date to achieve a sustainable and balanced budget for 2024 to 2026.

Appendix B set out the revenue budgets for 2024 to 2025 and future years to 2028. This showed uncertainty relating to government funding in the later years of the plan giving rise to significant budget gaps. Paragraph 3.7 of the report set out how much the gaps were dependent upon central government decisions with a potential swing of £9.6 million between the best and worst business rate retention. The council's strategy was to continue to identify and deliver annual savings in anticipation of the future funding review and to get ahead where possible of those financial challenges. The council also held reserves that would provide time to adjust if the worst-case funding scenarios were to materialise.

Appendix C proposed capital investment plans across the medium-term. The proposed capital programme contained a number of already agreed strategic projects, including the council's commitment to achieving net zero by 2030 as well as significant investment plans in the council's operational assets, buildings and commercial estate. The programme was fully funded from a mixture of available reserves, capital receipts balances and prudential borrowing.

The Committee scrutinised the report in detail and asked questions to which comprehensive responses were provided. In particular discussions were held on the projected budget gaps and whether the budget was prudent enough and future proof; the number of exempt papers attached to the report and encouraging the council to review whether papers needed to be exempt to bring more into the public domain; council tax levels; Appendix C - charging points across the district; Appendix D - coin payment machines; industrial units' income/rental and whether there were any future proposals for the Western Way site.

In response to a question raised in relation to the budget proposal of £200k for more staff in the planning department, the Committee was advised that the proposal was for extra capacity in the local plans team, to cover additional requirements from central government and the emerging West Suffolk local plan.

In response to a question raised on the future use of the Olding Road site, Bury St Edmunds, the Cabinet Member for Resources advised that the council was working on proposals which would be presented to Council in due course for all members to consider.

In response to a question raised on Appendix D, reduction of coin payment machines, the Cabinet Member stated that there would always be coin machines in every car park, and when using Ringo, you should not be paying more.

In response to a question raised regarding commercial properties and the suggestion of pitching prices slightly below the market value to encourage take-up rather than standing empty, the Committee was advised that the pricing was based on the local market values which take into account demand in the area.

At the conclusion of the discussions, it was proposed by Councillor Phil Wittam, seconded by Councillor Sue Perry, and with the vote being 10 for and one against, it was:

RECOMMENDED: That

- 1) Cabinet be recommended to include the proposals, as detailed in Section 2 of report number PAS/WS/24/001 and Appendix A (Budget Assumption Changes) in the 2024 to 2025 Revenue Budget.**
- 2) Cabinet be recommended to include the Capital Programme as set out in Appendix C (including annex Ci, Cii and Ciii) to report number PAS/WS/24/001 in the budget setting process.**

233. Exclusion of the press and public

With the vote being unanimous, it was

Resolved:

That, under Section 100(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as prescribed in Part 1 of Schedule 12A of the Local Government Act 1972, and indicated against each item and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

234. Delivering a Sustainable Medium-Term Budget - EXEMPT Appendices Fi, Fii and Fiii

The meeting moved into private session to allow for the Committee to pose specific questions on the information which related to the Exempt Appendices Fi; Fii and Fiii.

Once the discussion was concluded, the Committee then moved back into the open session of the meeting.

235. Re-admittance of press and public

The press and public were re-admitted to the meeting.

236. Internal Audit Report on Bank Mandate Fraud

The Cabinet Member for Resources presented report number PAS/WS/24/002, which provided information on the bank mandate fraud incident that took place in July 2023. This was a regrettable incident, which the council had learnt lessons from, and procedures had since been strengthened.

Appendix A attached to the report set out what happened, and the actions taken to mitigate the risk of fraud reoccurring whilst omitting specific details which could identify parties involved or provide fraudsters with information that could be useful to them. Specific details had been included for members information in Exempt Appendix B.

This type of bank mandate fraud was targeted at both the public and private sector as well as individuals. The National Crime Agency had stated in their most recent figures that in the year to September 2021 there had been reported losses of around £152 million and over 4,600 individual cases.

The Cabinet Member for Resources wished to reassure the Committee that any changes to how the council worked had been made.

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

At the conclusion of the Committee's discussions, the Committee **noted** the contents of the report, subject to the council writing to the bank in question stressing its disappointment in the loss of public money; the banks moral

obligations and that the payment should have been paused, until it had received the appropriate confirmation.

237. Exclusion of the press and public

With the vote being unanimous, it was

Resolved:

That, under Section 100(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as prescribed in Part 1 of Schedule 12A of the Local Government Act 1972, and indicated against each item and, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

238. Internal Audit Report on Bank Mandate Fraud - EXEMPT Appendix B

The meeting moved into private session to allow for the Committee to pose specific questions on the information which related to the Exempt Appendix B.

Once the discussion was concluded, the Committee then moved back into the open session of the meeting.

239. Re-admittance of press and public

The press and public were re-admitted to the meeting.

240. CIPFA Guidance on Audit Committees

The Chair of the Committee presented report number PAS/WS/24/003. With an increased focus on all local authority financial and governance matters including local audit committee arrangements, the Chartered Institute of Public Finance and Accountancy (CIPFA) had issued a new Position Statement on Audit Committees in Local Authorities and Police, followed by some practical guidance.

The Chair had worked with officers to review the guidance against the council's current arrangements for the Committee. The report included a number of proposals set out in paragraphs 2.2 to 2.10 to further strengthen arrangements in key areas of the Performance and Audit Scrutiny Committee's activity.

One of the proposals was co-opting non-elected independent members onto the Committee which was covered in the next agenda item (report number PAS/WS/24/004).

The Chair informed the Committee that he supported the report and its approach and proposals to strengthening the work and arrangements for the Committee and sought its support on the proposals.

The committee were also informed that Officers would look at the role of the committee's two sub committees.

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

During discussions, some members raised concerns about the suggestion in the CIPFA guidance that members should 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 the current arrangements would continue.

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 allowed for "up to 12 members", officers agreed to raise the issue with CIPFA to find out their reasoning behind having eight members.

It was then proposed by Councillor Peter Armitage, seconded by Councillor Frank Stennett, and with the vote being 10 for and one abstention, it was:

RESOLVED:

That the Committee **endorses** the proposals as set out in paragraphs 2.2 to 2.10 of report number PAS/WS/24/003 to strengthen West Suffolk Council's audit committee arrangements.

[Following the vote taking place, Councillors Andy Neal and Richard Alecock left the meeting at 6.20pm.]

[Following the vote, the Committee took a recess break at 6.20pm.]

241. **Co-opting Non-elected Independent Members**

[The Committee reconvened at 6.25pm.]

The Chair presented report number PAS/WS/24/004, which sought the Committee's agreement to the principle of appointing two non-elected members to the Committee. Whilst the co-opting of independent members was not presently a statutory requirement, it was anticipated that it would be in the future.

Section two of the report set out the approach to co-opting independent members and the next steps were set out in paragraph 2.8. Attached at Appendix A to the report was an example role description for non-elected independent members.

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

In response to a question raised as to who the independent members would be answerable to, members were advised that they would be answerable to the Committee.

It was then proposed by Councillor Peter Armitage, seconded by Councillor John Augustine, and with the vote being unanimous, it was:

RESOLVED: That

- 1) The Committee **agrees** 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) The Committee **approves** the approach to co-opting independent members as set out Section 2 and the next steps at paragraph 2.8 of report number PAS/WS/24/004.

242. 2023 to 2024 Performance Report (Quarter Three)

The Cabinet Member for Resources presented report number PAS/WS/24/005, which set out the quarter three performance for the period October 2023 to December 2023 and the forecast 2023 to 2024 revenue and capital position.

Attached to the report were a number of appendices as follows:

- Appendix A: Key Performance Indicator (KPIs) Dashboards
- Appendix B: Income and expenditure
- 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
- Appendix G: List of available KPIs
- Appendix H: Environment and Sustainability Reference Group quarterly progress report.

At the last meeting in November 2023 there had been a debate over the number of KPIs being reported and whether these should be reduced to more manageable levels. The Cabinet Member advised that 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. Members of the Committee were invited to submit suggestions for changes to the KPIs.

The Cabinet Member highlighted a number of KPIs in Quarter three as follows:

Car parking events by town	Following a request by the Committee car parking events by town had been included as an indicator which showed 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 had been greater activity in identifying and resolving housing standards issues, particularly in relation to damp and mould in light of greater focus on the issues.

<p>Anglia Revenue Partnership (ARP) – days taken to process benefits</p>	<p>Whilst the length of time taken to process claims was currently exceeding target, ARP had a plan in place with the aim of meeting the year-end target. Issues faced had been a system issue around Council Tax Reduction claims; and the remaining Housing Benefit claims being complex cases as the Universal Credit migration continued.</p>
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The Cabinet Member for Resources then presented the forecast year-end outturn as at quarter three, which showed an overall balanced position. This result included the release of £572,000 of the planned top-up to the general fund of £800,000. Officers would continue to review the position as the year progressed, but the forecast would mean the general fund would increase to £5.3 million by the year-end. The council was forecasting to spend £19.7 million in the year 2023 to 2024.

The council's reserve position remained strong with a forecast balance of £41.2 million, against a budgeted closing balance of £36.6 million. The majority of the variance related to the timing of expenditure into the next financial year related to capital programme spend. The net under-utilisation was primarily due to savings on borrowing costs and higher interest receivable.

A review of the Strategic Risk Register had taken place in the context of how the council assesses and rates risks. The review had included an initial update to the Risk Management Toolkit which provided a framework for identifying, assessing and rating risks. There were still six risks which still had a high residual risk even mitigation and controls and this was predominantly due to the wider economic and social environment, despite the actions the council had taken. The review of the strategic risks would be ongoing as the council planned to also benchmark its approach to other local authorities.

Attached at Appendix H was a new update from the Environment and Sustainability Reference Group, which reported on the progress the council was making in delivering its environmental and climate change action plans.

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.

In response to a suggestion regarding including new KPIs for staff vacancies and access to social media by the public, officers agreed that these could be included.

Officers also agreed, in response to a suggestion, that the KPIs that were monitored by the Office of Local Government (Oflog) would be highlighted in future dashboards.

A member of the Committee suggested that one approach to dealing with the large number of KPIs would be for the Committee to consider them on a

rolling basis, by topic, but also always to take exception reports on KPIs from the standard suite, that were outside the particular area of focus. Officers would in future include on the dashboards a way of viewing the KPIs by strategic priority.

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.

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.

243. **Treasury Management Report (December 2023)**

The Cabinet Member for Resources presented report number FRS/WS/24/001, which had been considered by the Financial Resilience Sub-Committee on 15 January 2024.

The Council held £55,750,000 of investments as of 31 December 2023. Interest receivable in the first nine months of the financial year amounted to £2,083,152.79 against a budget for the period of £536,250. This has created a budgetary surplus of £1,546,902.79 due to two main reasons;

- the Council holding higher levels of cash balances than anticipated; and
- the rising Bank of England base rate having a knock-on effect on investment returns.

External borrowing as of 31 December 2023 was £9,500,000, a reduction of £250,000 from 1 April 2023 which relates to the repayment plan for the recent PWLB £10m 40-year loan), with the Council's level of internal borrowing being £47,604,200 as of 31 December 2023. The overall borrowing total of both external and internal is expected to increase over the full financial year.

The report also included a summary of the borrowing activity during the period; borrowing strategy and sources of borrowing; borrowing and capital costs – affordability; borrowing and income – proportionality; borrowing and asset yields; treasury management prudential indicators; market information and CIPFA financial resilience index.

Councillor Frank Stennett, a member of the Financial Resilience Sub-Committee advised it had scrutinised the report in detail and asked questions to which comprehensive responses were provided. In scrutinising the report, he informed the Committee that it was clear the council was currently receiving extra revenue due to the interest levels, but at some point, the revenue would start to decline.

The Performance and Audit Scrutiny Committee considered the report and asked questions to which responses were provided.

In response to a question raised on the council's capital requirements had increased and also questioned the revenue cost. In response officers agreed to provide a written response relating to the revenue budget interest payable and how much was being set aside for future years.

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

RECOMMENDED:

That subject to the approval of Council, the Treasury Management Report (December 2023) as contained in report number FRS/WS/24/001, be approved.

244. Annual Financial Resilience Management Statement and Investment Strategy Statements (2024 to 2025)

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

The Cabinet Member for Resources presented the proposed Treasury Management Strategy Statement 2024 to 2025 was attached as Appendix 1 to Report number: FRS/WS/24/002, along with the Treasury Management Code of Practice at Appendix 2, which had been considered by the Financial Resilience Sub-Committee on 15 January 2024.

It was reported that the only significant change to the Treasury Management Strategy Statement for 2024 to 2025 was the addition of the UK Infrastructure Bank as a source of Borrowing. In relation to the Treasury Management Code of Practice for 2024 to 2025 there were no significant changes.

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

Councillor Frank Stennett, a member of the Financial Resilience Sub-Committee advised it had scrutinised the report in detail and asked questions to which comprehensive responses were provided and recommended the report and recommendations to the Committee.

The Performance and Audit Scrutiny Committee considered the report and did not raise any issues.

It was then proposed by Councillor Frank Stennett, seconded by Councillor Phil Wittam and with the vote being unanimous, it was

RECOMMENDED

That:

- 1) Subject to the approval of Cabinet and Council the Treasury Management Strategy Statement 2024 to 2025, attached as Appendix 1 to Report number: FRS/WS/24/002, be approved.**
- 2) Subject to the approval of Cabinet and Council, the Treasury Management Code of Practice, attached as Appendix 2 to Report number: FRS/WS/24/002, be approved.**

245. Work programme update

The Committee received report number: PAS/WS/24/006, which updated members on the current status of its rolling work programme of items for scrutiny during 2024 (Appendix 1).

The Committee considered its work programme, and there being no decision required, the Committee **noted** the update.

246. Exclusion of the Press and Public

See minute numbers 247 and 248 below.

247. 2023 to 2024 Performance Report (Quarter Three) - EXEMPT Appendix F

The Performance and Audit Scrutiny Committee made no reference to Exempt Appendix F under report number PAS/WS/24/005, therefore, this item was not held in private session.

248. Treasury Management Report - December 2023 - EXEMPT Appendix 3

The Performance and Audit Scrutiny Committee made no reference to Exempt Appendix 3 under report number FRS/WS/24/001, therefore, this item was not held in private session.

The meeting concluded at 7.05pm

Signed by:

Chair
