

**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 25 SEPTEMBER
2014**

Present: Councillor S Howell – Chairman.

Councillors K Artus, A Dean, K Eden, M Felton, E Oliver, J Parry
and D Sadler.

Also present: Councillor R Chambers.

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant
Director Corporate Services), S Bronson (Internal Audit
Manager), R Dobson (Principal Democratic Services Officer), A
Knight (Acting Assistant Director – Finance) and A Webb
(Director of Finance and Corporate Services).

Also present from EY –Debbie Hanson and Jo Wardle (External Auditors).

PA23 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors D Jones and A
Ketteridge.

PA24 MINUTES

The minutes of the meeting held on 22 July 2014 were signed by the
Chairman as a correct record, subject to the following amendment:

Amendment to Minute PA17: the draft annual governance statement was
approved, rather than noted.

PA25 BUSINESS ARISING

i) Minute PA16 – EY Audit Committee briefing

The Director of Finance and Corporate Services referred to a
question by Councillor Eden regarding the impact of interest rate
rises on the Council's borrowing. The information was set out in
the treasury management forecast tabled at this meeting.

ii) Minute PA17 – draft annual governance statement

Councillor Dean referred to comments made regarding car parking. He asked if there was any intention to include a performance indicator in the reports.

The Assistant Director of Corporate Services said there were no specific arrangements to monitor car parking at district council level. Any such PIs would go to the North Essex Parking Partnership (“NEPP”), on which Councillor S Barker sat.

Councillor Howell said it was right to raise the point.

Councillor Oliver referred to the parking partnership accounts for 2013/14 and for 2012/13, where a “profit” was shown in both years. This was after contributions had been made by the various councils party to the organisation. This Council’s contribution to NEPP had been £145,000 in 2012/13 and in the second year £138,000, so it seemed the Council received no benefit from these figures at all. The issue was now being examined by the Scrutiny Committee.

Councillor Dean said he noted the points regarding NEPP’s finances, although his concern was the service to the public.

Councillor Eden said he was concerned about what he considered to be unreliable technology used by NEPP which detracted from the service they delivered, and should be looked into.

The Chairman suggested officers take forward the comments made in relation to performance indicators to consider how these could be included in the reports. The workings of NEPP were for the Scrutiny Committee to consider, and it was not for this committee to call members of Cabinet to appear before it except in exceptional circumstances.

iii) Minute PA18 – 2013/14 draft statement of accounts

The Director of Finance and Corporate Services said information relating to the restatement for pension interest was included in the papers now tabled.

Councillor Dean said he wished to ask a question about “substantial reserves” referred to at this Minute, and would like to do so when the accounts were discussed.

The Chairman said the issue had been debated at considerable length at the last meeting, and he would not suggest the Committee debate it twice.

PA26

AUDIT RESULTS FOR THE YEAR ENDED 31 MARCH 2014

Debbie Hanson presented the audit results for the year ended 31 March 2014. Following some minor amendments, all work had been completed and subject to Members' approving the accounts she intended to issue an unqualified opinion. The value for money conclusion was unqualified, and the statutory certificate could be issued. She thanked the finance team.

Ms Hanson then drew attention to changes which had been made. The change to the arrangements for business rate arrangements from April 2013 was a significant audit risk for all councils. There was a challenge for councils in that the data was not within their control, but that of the Valuation Office. Officers had had to revisit the figures for appeals provision and there had been changes in particular relating to future appeals not yet lodged.

Additional work had therefore been required which was a material adjustment.

Councillor Eden asked whether the Council should consider insurance for what could be a £5 million risk provision regarding business rates appeals, as this was not an area in which the Council had expertise.

Ms Hanson said this question was not for her, but for officers to consider, and a particular area for such consideration was the likelihood of business rates appeals by firms based around Stansted Airport.

Councillor Eden said he was concerned at exposure of the Council to the risk of losing £5million.

Ms Hanson said that as the rateable values were set by the Valuation Office, this factor was not within the Council's control, and the Council's duty was to account for the appeals, but not to manage them.

The Chairman said his assumption was that this situation was the same for all councils, and that a prudent approach should be maintained.

Ms Hanson said the Council had adopted an appropriate approach to this issue; it had engaged consultants. There was an issue in the collection of funds reflecting income, which would be repayable if appeals were successful. The process needed to be robust, but it was necessary to make provision based on the best information at that point in time.

In reply to further member questions, Ms Hanson said it was necessary to be prepared for further appeals by businesses at the Airport following the outcome of the appeal relating to Diamond Hangar. Existing businesses could still appeal the 2010 rating list, so the window for them to do so was not yet closed; and even for new businesses provision needed to be made against the possibility of them making an appeal.

The Chairman said this was the reason why the council had reserves.

Jo Wardle said the Council had been prudent to instigate a business rates reserve, which whilst in the General Fund Reserves was ring-fenced and therefore not available to spend for other purposes.

The Chairman said although the Council was disappointed to have had to take this step, it had recognised the need to do so.

Ms Hanson continued to summarise the main points of the report, drawing attention to financial resilience and arrangements for value for money. In terms of resilience, the external auditors were not looking at Uttlesford in particular, but to all councils in view of the increased risks to authorities in future years after the next two years. An example was the New Homes Bonus, which was a significant funding stream, but which was not guaranteed in the future.

Ms Hanson referred to budget gaps, where the Council still faced a challenge, but not to the extent seen in some other councils. There were good levels of reserves and under the Medium Term Financial Strategy there was no planned use of reserves for base spending.

Regarding Council Tax, another key funding stream for the Council, impacts had been highlighted to take into account increases or reductions, not just one year ahead, but for future years in addition. The external auditors were very satisfied with the Council's plan.

Ms Hanson said in conclusion members should note that she was satisfied as to the independence of all members of the engagement team.

Councillor Howell declared a non pecuniary interest regarding goods purchased from Mrs Wardle's husband.

Councillor Dean referred to the level of reserves. He said the Council had substantial reserves, which in the external auditor's report were estimated to stay at between £6.5 million and £7 million for the next four years. He said there was not a clear rationale for holding reserves at that level. He acknowledged the figures were broken down, but he was not aware of

how they were justified at that level. Some members talked of “a rainy day”, but East Hertfordshire Council had admitted in the press that it had been in breach of its own policy to hold no more than £6.7 million in reserves, as it was currently holding £8 million. East Hertfordshire was a significantly larger council than Uttlesford, so for a much smaller council like this one, the reserves figure was too much. The time was right for Cabinet to set out what would be an appropriate level of reserves and to justify it, to be clear with residents. He proposed that this Committee recommend this work to be done.

Councillor Chambers said over the last seven years the Council had been prudent with its finances; between 2003 and 2007 under a Liberal Democrat administration the Council’s finances had nearly required intervention by Government. Public money should be used prudently. East Hertfordshire was not Uttlesford, and Uttlesford was in an extremely good position at the moment. Councillor Dean could look at the accounts and would see every reserve accounted for. Councillor Chambers referred to the External Auditor’s report, which indicated sound policy in having reserves. Officers were working very hard, and the accounts set out the information if Councillor Dean wished to look.

Councillor Howell said he endorsed the comments made by Councillor Chambers. It was clear there were significant challenges over future years, and all the Council’s sources of funding were under pressure. He saw no indication that the Government’s funding was going to improve. An amount had to be ring-fenced for business rates appeals. The Committee had debated the issue of reserves thoroughly at its last meeting, and it was inappropriate to seek the auditor’s comments on it or to debate it tonight. Councillor Dean’s proposal had not been seconded.

Councillor Dean said he agreed the matter of reserves was for Council rather than the external auditor and that there should be ring-fenced reserves, however he was referring to those reserves that were not ring-fenced. There should be an explanation for such reserves in the accounts to justify them.

Councillor Howell said he wished the minutes to record that the statement of accounts made it clear the reserves were fully justified. Regarding the audit fee and a reference by the external auditor to additional work on the revaluation reserve, in his view this work was included in the audit and he would be surprised if an additional fee were to be charged.

Councillor Howell thanked Ms Hanson and Mrs Wardle.

Councillor Chambers added his thanks for the amicable way in which the accounts had been concluded, which was of benefit to the public.

2013/14 STATEMENT OF ACCOUNTS

The Director of Finance and Corporate Services expressed his gratitude to the external auditor for working with officers during the finalisation of the accounts. He drew Members' attention to the schedule of amendments to the statement of accounts which had been circulated, none of which were material. He referred to the letter of representation which set out items which were unadjusted audit differences, explaining why the Council considered these were immaterial, and confirming that they would be examined in 2014/15 and if necessary would in the 2014/15 statement of accounts be the subject of appropriate adjustment.

Councillor Dean asked why the HRA balance had gone from £2.9 million to almost £3.4 million at a time when the need for new housing was critical.

The Director of Finance and Corporate Services said there were two items: the first was the sheltered housing reserve, which was established as a result of the surplus in the HRA at the end of the year 2013/14. Cabinet had agreed to use this sum for future improvement in sheltered housing. Regarding the second element, which comprised future capital, the reason for this level of reserve would be answered by the Director of Public Services, who was not present at the meeting tonight.

Councillor Oliver said the sum related to properties which had been identified for redevelopment.

Councillor Howell said the purpose of this committee was to be satisfied that the accounts had been audited properly, and not for members to drill down each line of the accounts in detail. The intention of the meeting was to consider whether the accounts should be approved. He was satisfied that they should.

Councillor Oliver proposed, and Councillor Eden seconded the motion, that the Statement of Accounts and letter of representation be approved.

RESOLVED

- a) to approve the Letter of Representation as attached to the report
- b) to approve the audited 2013/14 Statement of Accounts as presented with the report.

Councillor Howell thanked the Director of Finance and Corporate Services and the finance team for their hard work during the preceding months.

PA28

INTERNAL AUDIT PROGRESS REPORT

The Committee considered the report on details of work undertaken by the internal audit since the last report to the Committee on 22 July 2014, and an update on implemented and outstanding internal audit recommendations.

The Committee noted the report.

PA29

QUARTER 1 PERFORMANCE

The Committee considered a report on the Quarter 1 results for all quarterly-reported Key Performance Indicators and Performance Indicators.

The Assistant Director Corporate Services said performance was generally good, with only three Key Performance Indicators missing their target. There were several where performance had improved as against the last quarter or against the parallel quarter last year.

Councillor Dean referred to KP15 (the number of return visits to collect bins that had been missed on the first visit). He said the fact that the target continued to be missed must indicate a chronic problem. The explanatory note referred to the use of a high percentage of contractors employed and Councillor Dean asked whether this indicated an underlying staff issue.

Councillor Howell said the performance indicator for return visits to collect bins missed on the first visit was of concern to the Committee. He had reported on this subject to Full Council. The missed target continued to be of concern, and he had invited the management team to report on what would be put in place to address it. Clearly those measures had not produced the results which had been hoped to achieve. He asked officers to update the Committee.

The Assistant Director Corporate Services said during the third quarter of 2013/14 an analysis was carried out to identify incorrectly reported missed bins, such as when a resident puts out the wrong bin or contaminates a bin with the wrong sort of waste.. It was possible that staff sickness was a contributory factor, and an HR advisor was working with Street Services to bring down the level of staff sickness absence. In addition, a re-structure was taking place in the section.

Councillor Eden asked whether the target for missed bins was realistic.

Councillor Artus said the number of missed bins was unfortunate but was not a huge amount. There was an issue of balancing management time in reducing the indicator, which could perhaps be better spent.

Councillor Howell said he did not share that view, and this target was one which the Council should aim to reduce. The issue of missed bins was one where the Committee would expect to see improvement, and that continued examination of the reasons and work to reduce sickness absence levels would be monitored. The Committee would return to this item after the next quarter.

Councillor Dean asked whether the Council would be benchmarking the service against that of other authorities.

The Assistant Director Corporate Services said there were very few councils in this area that measured this indicator, and since the national indicator was abolished many councils no longer measured missed bins. He would report back to the Committee on this point. Regarding sickness levels, there had been continued work on this subject over the summer, and it was likely the Committee would see an improvement.

Councillor Howell said he had experience of working in this industry, and whilst the Committee did need to be reassured, performance figures were good.

Councillor Dean referred to PI 35 (the number of tonnes of garden waste from kerbside collections sent for composting). He said the target continued to be missed, and questioned whether aspirations were too high, or the service was not a success.

The Assistant Director Corporate Services said the garden waste collection service had more subscribers but people were putting less in their bins. This could be attributable to the weather. In setting up the service the amount which might be collected had been an unknown quantity, so the target could potentially be reviewed.

Councillor Eden said there was likely to be a correlation between the amount of garden waste collected and the fact that it had been a dry summer.

Councillor Howell said this service was one which the Council had chosen to offer.

Councillor Dean asked whether it could be established whether the service of garden waste collection was within costs.

Councillor Howell said this aspect was a matter for Scrutiny Committee.

PA30

QUARTER 1 CORPORATE RISK REGISTER

The Committee considered a report on the Corporate Risk Register as at the end of the first quarter of 2013/14.

Councillor Dean referred to the Risk Code 14-CR 03 (key partners unable to support the Local Strategic Partnership ("LSP")). He said some members of the LSP groups felt the Council was not playing its part in supporting them, and that the partnership was a two-way process. There was a feeling of disconnect, and he asked where the risk lay.

The Chief Executive said the risk was the extent to which there was contribution to the LSP, which was hosted by the Council but was not a partner of the Council. The Council provided much support to the LSP, but no longer received any significant financial support. The real issue was where any items which were considered by the LSP informed any decisions of this Council.

Councillor Artus asked about the reference to 14-CR-05 (external contracts). The Chief Executive said he would speak to Councillor Artus after the meeting, as discussion of the matter would require the meeting to move to Part 2.

PA31

ANY OTHER BUSINESS

Councillor Howell reminded members of the training session to be held on 16 October 2014 at 7pm.

The meeting ended at 8.45pm.