

**PERFORMANCE SELECT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 22 JUNE 2010**

Present: Councillor H S Rolfe - Chairman  
Councillors A J Ketteridge, T P Knight, R M Lemon,  
J Salmon, R D Sherer, P A Wilcock and  
A C Yarwood.

Officers  
in attendance: R Auty (Head of Community Engagement),  
S Bronson (Audit Manager), T Cowper (Principal  
Accountant), P Evans (Business Improvement and  
Performance Manager), S Joyce (Chief Finance Officer),  
T Norton (Business Improvement and Performance  
Officer), R Procter (Democratic Services Officer) and  
A Webb (Director of Central Services).

Also attending: Gary Belcher - Audit Commission.

**PS1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillor S Barker, and from Ian Davidson and Debbie Hanson of the Audit Commission.

**PS2 MINUTES**

The Minutes of the meeting held on 2 February 2010 were received, and subject to the following amendment were approved as a correct record and signed by the Chairman.

In the first sentence of the third paragraph of Minute PS55, the word "not" had been omitted. The sentence was corrected, to read "The Committee not only needed to see key risks, but required reassurance that those 'under the line' were also being dealt with."

**PS3 ANNUAL GOVERNANCE STATEMENT**

The Chairman brought forward the agenda item on the Annual Governance Statement 2009-10, for approval before inclusion in the financial accounts.

The Audit Manager said the Annual Governance Statement had been approved in principle by the Strategic Management Board. The Chairman said Members had, during a briefing before this meeting, considered the statement in detail. There were no questions, and the Committee approved the Annual Governance Statement.

RESOLVED to approve the Annual Governance Statement  
2009-10 for inclusion in the Council's published financial  
accounts for 2009-10.

PS4 **STATEMENT OF ACCOUNTS 2009/10**

The Chairman said Members had a comprehensive understanding of the accounts, having had an opportunity to consider them at a seminar prior to this meeting.

The Chief Finance Officer highlighted changes to Financial Regulations, which meant Full Council would be responsible for approving the annual Statement of Accounts, following pre-scrutiny by this Committee. The draft accounts would be audited during the Summer and results reported to Members in September.

The Chief Finance Officer said the 2009/10 results had been reported to the Finance & Administration Committee on 17 June, and he drew Members' attention to the summary in his report of results for the General Fund, the Housing Revenue Account and the Capital Programme. He said the accounts were consistent with the results as summarised. He drew attention to some key issues, including Note 10 - Related Parties Transactions, which was informed by the declarations Members made. The two outstanding forms from Members had now been received.

The Chairman thanked the Chief Finance Officer and congratulated the Council for operating within budget and also generating a surplus. He proposed considering the accounts page by page.

Councillor Yarwood said as a general point, he would like to see more detail in the breakdown of the accounts.

Members then considered the statement of accounts, and asked that the following areas be drawn to the attention of Full Council:

Page	Item	PSC comment
5	Landsbanki	To note that the accounts have been based on CIPFA guidance, which is to assume that preferential creditors' status will be confirmed, and 95% of outstanding monies will be repaid by 2018. There are risks and other possible outcomes which mean that losses could be greater than allowed for in the accounts. The narrative provided is up to date as at 22 June. The Council will be verbally updated if there are any developments by 29 June.
6	Pension Fund Deficit	To note that the Council's share of the deficit has increased significantly. The Council will be required to fund this deficit over the long term. A representative of the Essex Pension Fund is to be invited to a PSC meeting.
7-8	General Fund outturn	To note that a large net favourable variance arose enabling reserves to be increased by £1.5 million. This will better enable the Council to cope with future funding pressures.  To note that the Waste and Recycling service was underspent

Page	Item	PSC comment
		for the second year running. The budget for the service is to be reviewed with a view to reducing the base budget allocation. A reserve has been earmarked to provide contingency against volatile items.
9	Housing Revenue Account outturn	To note the in-year deficit of £62,000, and the reasons for it as noted in paragraph 4.7.
9-10	Capital Programme outturn	To note that capital expenditure totalled £3.5 million, below budget, because some schemes have been rescheduled to 2010/11.
25	Income & Expenditure Account	To note that Net Operating Expenditure was £13 million in 2009/10, which compares with £32 million in 2008/09. The 2008/09 figure was higher because of the need to account for a sharp fall in property values, mostly housing stock.
27	Balance Sheet	To note the movements in the year on items such as Debtors, Short Term Investments and Creditors, for which explanations were provided to the PSC at the meeting. Current Assets are more than Current Liabilities, which is an indicator of the Council's good liquidity.
30	Note 3 – Private Finance Initiative	To note that the Council's PFI assets (Leisure Centres) now have to be shown on the balance sheet, along with its liabilities under the PFI contract.
31	Note 5 – Building Control Account	To note that Building Control Chargeable Activities incurred a deficit of £50,000. Action is being taken to achieve a break even position in 2010/11 and future years.
33-34	Note 9 – Senior Officers Remuneration	The Committee felt that additional narrative explanation should be included to help the reader understand the differences between 2008/09 and 2009/10. The CFO will develop appropriate wording and agree this with the auditor prior to finalisation of the accounts in September.
35	Note 11 – Fees payable to the Audit Commission	To note that Audit & Inspection fees totalled £198,000 in 2009/10. The Committee felt that the level of fees is disproportionate and have asked the Audit Commission to provide additional explanation, and advice on how the fee can be reduced. A letter is to be sent to the Secretary of State Eric Pickles MP to draw his attention to the matter.
37	Note 15 – Movements on Reserves	To note the table of reserves include notional accounting items which do not constitute available funds to spend. The usable reserves are Capital Receipts, Housing Revenue Account, General Fund Balance and Earmarked Reserves.

Page	Item	PSC comment
44	Note 27 – Provision for Bad Debts	To note that the Council has provided for bad debts relating to Overpaid Benefit totalling £391,000. The Committee received explanations of the reasons why overpayments occur, and the difficulties in recovering the overpaid sums.
56	Note 40 – Contingent Liabilities	To note that there is a potential liability relating to Local Land Charges which cannot yet be quantified and has not been included in the accounts. A change in law is possible which could require the Council to refund charges previously levied. This is the subject of litigation in which the LGA is representing the affected councils.

The Chairman thanked the Chief Finance Officer and the accountancy team for an excellent set of accounts.

- RESOLVED to recommend that Council
- 1 note the content of the report; and
  - 2 approve the 2009/10 Draft Statement of Accounts for publication.

The Committee noted that following approval of the accounts, the Chairman of the Council would be requested to sign two copies, one signed copy to be given to the auditors.

PS5

## **INTERNAL AUDIT ANNUAL REPORT AND OPINION**

The Committee considered a report setting out the audit opinion in relation to areas identified by Internal Audit. For 23 of the 31 audits, there was 'adequate' or 'substantial' assurance that risks were managed and controlled. For 11 out of 14 key financial audits, audit opinion for such assurance was either 'adequate' or 'substantial'. The conclusion of internal audit opinion on the control environment for 2009-10 was therefore that risks material to the achievement of the objectives for the audited areas were adequately managed and controlled.

The Chairman said this conclusion was reassuring. He asked about measures to address items which had slipped in the programme, due to personnel issues. The Audit Manager said a review of the audit plan would take place as there were to be some further staffing changes, and additional anti-fraud work was now being undertaken. Officers would provide a report on the audit programme at the next meeting. Councillor Yarwood said it was important to avoid rushing to complete the work plan, and asked for reasons to be stated in the revised schedule as to inclusion or omission of items.

The Chairman noted there were 3 recommendations outstanding from the 2008-09 audit plan, and 18 from the 2009-10 plan, and asked that the Committee be informed of progress at its next meeting.

RESOLVED to note the report.

PS6

### **AUDIT COMMISSION PROGRESS REPORT**

The Committee considered a report submitted by Gary Belcher of the Audit Commission, summarising progress against the audit plan for 2009/10. The report drew to the Committee's attention a number of key issues, including the fact that no instances of significant control weaknesses had been identified. The report also referred to the cessation of any further work on use of resources, following recent government announcements.

The Chairman said it was pleasing there was no sign of any control weaknesses. He asked what would have comprised a more positive conclusion, had the report been made public, and what was the position on the fee for the use of resources report, since this report had not been completed.

Gary Belcher said work performed on use of resources had given the Audit Commission the information they required. He believed the work had been carried out in March and substantially completed. He was not aware of any local discretion regarding adjustment of fees, as a national decision would be made.

The Chairman said it was the view of the Committee that a full piece of work had not been completed. Gary Belcher said the work on Use of Resources carried out in March 2010, which was subject to the recent government announcements, would have been funded from the 2010/11 fee, and not the 2009/10 fee.

Regarding the question of positive presentation of the findings, Gary Belcher said the Council's improvements in its Use of Resources arrangements in 2010 would directly inform the 2009/10 value for money conclusion, and there was a strong possibility of a clean value for money opinion.

RESOLVED to note the progress report.

PS7

### **AUDIT OPINION PLAN 2009/10**

Members considered the audit opinion plan 2009/10 submitted by the Audit Commission. Gary Belcher drew attention to an update to the fee letter. He said at the fee setting stage it had not been apparent what the overall risks would be and this report served to update the Committee on the latest position and what new risks to the opinion had been identified.

The Chairman noted the indicative and scale fees referred to in the report and the fact that the Council was being charged 24% over the scale fee. He

asked at what level of risk the fee would come down, since the Council had had a clean bill of health for the last two years.

Gary Belcher said there had been clear improvement since the 2008/09 accounts and the fee had been adjusted downwards. The audit fee was calculated in a similar fashion to a zero-based budgeting exercise where the Audit Commission estimated the number of days required to complete the work in accordance with the requirements of the Code of Audit Practice and International Standards on Auditing. The percentage variance against scale fee was not the starting point when determining the fee. Risk level in itself therefore was not the only factor taken into account.

Members were keen to understand what the Council could do so as not to incur the additional 24% above the scale fee. Councillor Yarwood said the Council needed an indication of milestones to be achieved. He said he was not impressed, as there should be the same clarity in the Audit Commission's report as in the Council's accounts. The Committee agreed.

Gary Belcher said the fee for 2010/11 represented a further reduction, and in answer to further questions from Members, said the fee required was for work in satisfying the standards the Audit Commission signed up to. The fee for next year was currently estimated to be 15.5% above the scale fee, at £122,200.

Councillor Ketteridge said this fee was a lot of money to the Council and requested comparative figures for other councils of a similar size. The Chairman asked for a further report from the Audit Commission regarding fees to be given at the next meeting.

The Chairman referred to the risk identified in the report that the Council had slipped against the IFRS timetable. The Chief Finance Officer said whilst this was technically correct, regulators had issued what was a model timetable. In practice the view had been taken that the Council did not need to follow the timetable until it had completed its accounts, and he was confident that this would be done. He would report on the IFRS variation at the Committee's November meeting. Toby Cowper said the guidance on the timetable had been issued at a late stage.

RESOLVED to note the report, subject to the comments set out in the Minute.

PS8

#### **AUDIT FEE LETTER 2010/11**

Members considered the indicative fee levels for proposed external audit work relating to the 2010/11 financial year. The Chairman said he was concerned that the fee was excessive, and compared the proposed fees with £54,000 charged to Papworth Hospital Trust, of which he was a member. He therefore proposed writing to the Secretary of State to express the Committee's dissatisfaction regarding the nature and extent of charged work which the Audit Commission proposed, and the level of the fee itself.

The Chairman thanked Gary Belcher.

RESOLVED to note the report and that the Chief Finance Officer in consultation with the Chairman would write to the Secretary of State to raise the concerns set out in the Minute.

PS9

#### **QUARTER 4 OUTTURN AND QUARTER 4 PERFORMANCE 2009/10**

The Committee considered a report presenting a summary of performance data for the 2009/10 outturn Quarter 4 for all national, corporate and service indicators.

As a general point, the Chairman noted that performance had greatly improved in this quarter, particularly around planning. Members then considered the detail of the report.

Officers drew attention to the explanation in the report about NI14, which was accepted by the Committee.

Members questioned the relevance of staff-related indicators, and officers replied these were being reviewed to take into account equalities and HR aspects. Officers agreed to provide the Committee with an update detailing appraisals figures for Quarter 1 at the next meeting.

Councillor Knight questioned a reference to overpaid housing benefit. Officers explained that various situations were covered by this indicator, and that housing benefit debt was not classed as a priority debt in bankruptcy proceedings.

Regarding Saffron Walden Museum, Members asked about apparent underperformance against indicators. The Head of Community Engagement said the figures were not representative of the current situation in that the Heritage Centre project had not progressed, and there had been no Learning Officer in post for most of the year. Discounting such factors, the Museum could be considered to have performed well, despite a 50% increase in its entry fee. Recruitment to the Learning Officer post was now taking place.

The Chairman said in the prevailing economic circumstances it was important for the Museum to deliver its own success. Members wished to see realistic targets set in order to be able properly to scrutinise the service, and questioned whether the Museum could do more to attract visitors and 'stand on its own two feet' more. The Director of Central Services advised a review of the museum service was being carried out and as a result, the Committee decided it was not necessary for a further report to be brought to the Committee.

Councillor Lemon commented the figures for voids in housing allocations were improving, which was likely to be due to the separation of major works in the indicator.

Regarding waste collection, the Chairman asked for a note to be obtained and included in the Minutes to explain the reduction in the waste collection recycling rate.

The following explanatory note was supplied by the Director of Operations as an addition to the Minutes:

Waste Arisings (total tonnage of all waste collected) has remained about the same level - 28,500 tonnes - for the past two years despite a 2 per cent increase in the number of households in the same period. So the average amount collected per household has decreased resulting in an improvement in one of our key National Indicators.

National Indicator - NI 191 Residual Household Waste per property - published by DEFRA in 2008/9 for Uttlesford was 417 kg per household. Initial calculation of this indicator for 2009/10 shows an improvement to 409kg per household.

Within this tonnage of Waste Arisings the proportion that is sent for recycling and composting has remained the same at around 53.7% (National Indicator NI 192 – Household waste recycled and composted).

Dry Recycling tonnage remains the same as previous year in spite of the 2 per cent increase in number of households so there is a reduction in the weight of recycled materials. DEFRA has worked hard with producers to reduce the weight of packaging - for example fizzy drink bottles and cans are being manufactured with less material and ready meals are now presented with cardboard bands rather than boxes. Most families have reusable shopping bags reducing the number of carrier bags coming into the waste stream. All of this, although somewhat anecdotal, evidences that the move to “Reduce, Reuse, Recycle” is heading in the right direction.

Members asked for information on the average number of sickness days across the private and public sector. Officers replied the average figure for the public sector was 8 days per year.

The Business Improvement and Performance Manager tabled a revised appendix 3, which set out the performance indicators and targets for 2010-11. She said the Strategic Management Board had been involved in selecting indicators in order to achieve a corporate joined-up approach to the management of risks and corporate and divisional actions. Business Improvement and Performance Officers had also worked with Heads of Division on the Divisional Plans in order to relate actions to the Corporate Indicators set. Some indicators had been discarded, and the programme was now going forward with a new set of indicators, broken down by management responsibilities, into corporate, national and service indicators. All performance indicators had targets noted for 2010/11 however it had not yet been practical to set future targets (2011/12 and 2012/13) for certain indicators.



The Chairman commended the work done, and asked how benchmarking would take place. He suggested Members study the spreadsheet and email officers with their specific comments, copying in the rest of the Committee, with a review of this feedback to take place at the July meeting.

Councillor Knight asked why some targets remained static over a three year period. Officers said where it had been realistic targets had been based on a year on year improvement in performance. In some areas, the decision had been made not to aspire to such continuous improvement due to both predicted and unpredicted situations arising that could affect targets. Officers advised that a service planning timetable had been drawn up for the coming year and that a PI target setting exercise for 2011/12 would be conducted in January or February next year.

The Director of Central Services referred to the work being done on the Museum review, as an example where this approach was being taken. Regarding benchmarking, he said SMB were keen for benchmarking to be done, and work would be carried out with the Business Improvement Team in order to report to the Committee in due course.

The Chairman thanked officers, and noted the risk item originally to have been included on this agenda would be brought to the July meeting.

RESOLVED to note the report.

The meeting ended at 9.05pm.