

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 24 July 2018 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Quinney (Chair); Councillors Cain, Davies, Gifford, Howe, Mrs Knight, Margrave, Murphy, Noone, Mrs Stevens and Wright.

**Also present:** Councillors Coker and Phillips.

## 25. Urgent Item – Audio and Visual Recordings of Meetings

The Chair explained that after discussions with Members, it had been agreed to bring forward an urgent item seeking the Committee's approval to record its future meetings.

It was therefore proposed, duly seconded and

**Resolved** that from this point forward, any meetings of the Finance & Audit Scrutiny Committee, held in the Council Chamber at the Town Hall, Royal Leamington Spa, will be both audio & visually recorded including where the public and press have been excluded; and

**Recommended** that Council be notified of this decision so that it can update Council Procedure Rules to reflect this.

## 26. Apologies and Substitutes

- (a) There were no apologies for absence.
- (b) Councillor Mrs Stevens substituted for Councillor Illingworth.

## 27. Declarations of Interest

### Minute Number 32 – Executive Agenda – Item 4 – Ultra-Low Emission Bus Scheme Grant Application

Councillor Gifford declared an interest because he was a Warwickshire County Councillor.

### Minute Number 33 – Local Plan Infrastructure Delivery Plan

During the course of the debate, Councillor Wright declared a prejudicial interest because his property was located close to one of the projects being discussed. He left the room for the remainder of the item.

## 28. Minutes

The minutes of the meeting held on 30 May and 26 June 2018 were agreed and signed by the Chair as a correct record.

## 29. Interim Audit Findings Report

The Committee received a report from Finance which updated Members on why the audited Statement of Accounts would not be available for signing off by the Committee on 30 July. The report also outlined the actions now being taken prior to the audits accounts being presented to the Committee.

Members were aware that under the latest Accounts and Audit Regulations, the formal deadlines for the Council's Statements of Accounts had been brought forward. Previously, the draft Statements needed to be published by 30 June, with the audited Statements by 30 September. 2017/18 was the first year for which the draft Statement of Accounts needed to be published by 31 May with the audited accounts by 31 July.

Early closure was piloted for 2016/17 and the draft statements were published by 31 May. Unfortunately, the audited statements were not ready for the end of July and were reported to Finance and Audit Scrutiny Committee in August 2017.

On the back of the 2016/17 closure much planning had gone into the 2017/18 closure and preparation of the Statement of Accounts. The draft accounts were published by 31 May, in accordance with the statutory deadline. Unfortunately, subsequent work was required to the accounts, and had not allowed the audit to be completed. The main areas of work still required related to the Movement in Reserves Statement (MiRS) because within the draft statements that were published, the MiRS was incomplete. It was subsequently the accountants' priorities to resolve this before the auditors starting on site on 11 June. At that time, it was apparent that more work was required to resolve this, and produce the Notes for the Accounts, and supporting working papers.

In the period since, the accountants had been working continuously to resolve this and it had become apparent that the extent of the work and errors needing correction was far more extensive than originally thought. Accordingly, it became apparent that the July deadline would not be met.

Working with the external auditors, a plan had been produced whereby the audited Statement of Accounts would now be reported to Finance and Audit Scrutiny Committee on 25 September. The possibility of reporting earlier had been explored with the auditors in some detail. However, given the amount of work still to be done, and annual leave booked for August (by auditors and accountants), an earlier date was not achievable.

Members were made aware that the previous Principal Accountant (Capital/Treasury) had retired in August 2017. A new appointment started that month, for who there was extensive training and handover. Unfortunately, the new appointment resigned effective from February 2018. In addition, the Principal Accountant (Revenue), retired at the end of May. Ahead of his retirement, a replacement was successfully found.

The new accountant started in March, allowing for a relatively generous handover.

In light of the resignation of the Principal Accountant (Capital/Treasury), an interim accountant was appointed. In addition, to help provide support to whole of the process, an additional supernumerary accountant was appointed. This was detailed in the February 2018 Budget report. The employment of the interim Principal Accountant (Capital/Treasury) ended in early July. The supernumerary appointment was continuing until the audit of the accounts was complete.

The detailed workplan of the accountants which had been agreed with the auditors was attached as Appendix A to the report and this was being very closely monitored, with regular meetings in diaries. At the time of writing the report, these tasks were well underway and an update on progress was provided at the meeting.

Looking forward, consideration was being given to the 2018/19 closedown to ensure that the statutory deadlines would be met. A full review would be undertaken of 2017/18 and, whilst this would include the production of the MiRS, the whole broader closure process would be reviewed.

The External Auditor's Interim Audit Findings Report was attached as Appendix B to the report and this was outlined by Mrs Lillington from the external auditors, Grant Thornton. Mrs Lillington gave an overview of the sections of the accounts that had been submitted blank or with errors and advised that due to the extra work required by Grant Thornton, an additional fee would need to be agreed in September.

The Head of Finance addressed Members and explained that the situation was very disappointing and all options had been considered to meet the deadline. However, the revised plan was the main priority now and officers were on top of the workload. He assured the Committee that the department would need to learn from this and take any necessary actions.

The Strategic Finance Manager advised that the team were discussing the timeline and would be able to balance the movement in Reserves. She stated that officers were confident where the problem had arisen and should have everything ready for 13 August, with time to spare in order to double check the work.

The Portfolio Holder for Finance reminded Members that when the Government brought the deadline forwards, the expectation had been that only 40% of authorities would miss the deadline. He was extremely disappointed by the outcome and had made his views clear to officers. He also stated that the Council remained in good financial health and the Executive had formally requested a full report detailing the findings and the relevant changes that needed to be made.

**Resolved** that the report from Finance and the report from the external auditors are noted.

30. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 25 July 2018)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 25 July 2018

Item 3 – Final Accounts

The Finance & Audit Scrutiny Committee supported the recommendations but expressed its disappointment that the Government deadline of 31 July 2018 for the sign-off of the audited Statement of Accounts would not be met. Members noted that officers were working on a programme to rectify the situation and supported the decision that a report detailing the reasons for the delay would be submitted to them in due course.

31. **Public & Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

32. **Executive Agenda (Confidential Items & Reports – Wednesday 25 July 2018)**

The Committee considered the following confidential items which would be discussed at the meeting of the Executive on Wednesday 25 July 2018.

Item 4 – Ultra Low Emission Buses

The Committee supported the recommendations in the report.

Item 5 – Software and Hardware Upgrade for CCTV Service

The Committee fully supported the recommendations in the report.

33. **Warwick District Infrastructure Delivery Plan (IDP)**

The Committee received a report from Development Services which updated Members on the progress made regarding the Infrastructure Delivery Plan (IDP), associated with the District's future growth requirements to 2029. The IDP continued to be updated to reflect the latest information arising from ongoing discussions with infrastructure providers and to reflect emerging infrastructure requirements necessary to support the Local Plan.

Members were aware that in order to progress the implementation of the Local Plan and assimilate the associated growth during the plan period successfully, it was necessary to prepare and continually monitor progress on the Infrastructure Delivery Plan (IDP).

The updated IDP was set out in Appendix 2 to the report. This would continue to be refreshed to reflect infrastructure requirements and progress of their implementation throughout the plan period. In particular, Members were asked to note that the "S106 Paid" column had 2017/18 figures added and that work was underway to complete the "S106 agreed" column prior to publication on the website.

The compilation and monitoring of the IDP continued on a collaborative basis involving officers within Development Services; other officers across the Council; colleagues at WCC, Stratford and Coventry Councils; as well as other external agencies (for example Highways England, SWFT, Sport England). Detail on key recent progress across all sectors of the IDP was set out in Appendix 1 of the report.

Monitoring of development was a critical part of the process, ensuring timely billing of S106 contributions took place. Work had been underway in detailed monitoring and reporting, and an example of this work was included as Appendix 3 to the report. To further aid this work, a Development Monitoring Officer had been recruited to the Policy & Delivery team.

Finally, Members were asked to note that a comprehensive annual summary of Section 106 and CIL receipts would come forward at the same time as the Authority's Monitoring Report in early Autumn.

The Business Manager for Policy & Delivery introduced the report along with Mr Rumble, a transport planner from Warwickshire County Council. They answered a number of questions from Members relating to specific projects including the A46, HS2 compound traffic and the Westwood Heath development.

Officers advised that Highways England were a statutory consultee and meetings were held regularly with officers from HS2. Members were reminded that all consultees were integrally involved because they had to be. In response to questions relating to the Europa Way infrastructure works, officers distributed maps of the site to assist with an understanding of the different schemes and developers involved.

Concerns were raised about a number of funding gaps identified in the appendices and officers advised on the individual cases.

The Chair thanked the officers for attending and answering questions from the Committee.

**Resolved that**

- (1) the contents of the report, Appendix 1 (update on key infrastructure), Appendix 2 (updated IDP Table) and Appendix 3 (Q4 S106 Update), are noted; and
- (2) officers would report back to the Finance & Audit Committee in six months' time with a further IDP update.

(Councillor Wright declared an interest during the discussions and left the room.)

#### 34. **Review of Housing Services – Service Area Update**

The Committee received a report from Housing which brought together details of the Housing Services' risk register, contract register and budget.

Following several years of reviewing service contract and risk registers, Members had requested that the two registers for each Service Area should be considered together, along with details of the budget and performance for the relevant service.

Housing Services was responsible for a wide range of services which consequently led to a number of potential risks and there were 17 risks contained in the risk register.

16 of the 17 risks were shown as "amber" in accordance with the Council's risk scoring matrix. The other risk was shown as "green". As with all the risks in the register, it was the controls and mitigations that were being undertaken to control the risks that were of importance. These reflected the tangible actions over which there was more control. The latest version of the risk register was set out as Appendix A to the report.

The latest version of the Housing Services contract register was set out in Appendix B and there were 24 live contracts listed. The most significant of these contracts related to the Council's in-house Housing Management System (ActiveH). The contract for this system was due to come to an end in 2020.

Details of Housing Services budgets were included as Appendix C to the report. Budget reports were routinely considered by the Senior Management Team, with quarterly reports issued to the Executive. The next Executive report was due in July, which would detail the overall outturn.

The Head of Housing and the Portfolio Holder introduced the report and answered questions on the various risks marked as amber in the register. Members noted that none of the risks were marked as 'red'.

Risks 2, 4 and 6 were discussed in detail and Members noted that resources were being made available where needed. Risk number 11 related to the Universal Credit issue, however, 2017/18 figures were better and provision had been made to mitigate the impact.

The Chair raised the issue of the housing need across the District and in response, the Portfolio Holder directed him to the actions listed against Risk 17, Increasing Levels of Homelessness. Councillor Phillips reminded Members that house building was on the increase in the District and the Council was investing in homelessness and prevention.

In response to a question regarding the Council's garage policy, Councillor Phillips advised that this was being looked at presently and Members would be updated in due course.

**Resolved** that the risk register, contract register and budget outline are noted.

35. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 25 July 2018)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 25 July 2018

Item 10 – Leamington Car Park Displacement Strategy

The Committee supported the recommendations in the report.

36. **Public & Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

37. **Executive Agenda (Confidential Items & Reports – Wednesday 25 July 2018)**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 25 July 2018.

Item 13 – Creative Quarter: Growth Deal, Bid Options & Potential Purchases

The Committee supported the recommendations in the report.

38. **Update from Deputy Chief Executive (BH) – Housing Contracts**

Due to the late hour, the Chair took the decision to defer this item until the September 2018 meeting.

39. **Anti-Fraud and Corruption Progress Report 2017/18**

The Committee received a report from Finance which informed Members of progress with the Anti-Fraud and Corruption 2017/2018 action plan and presented the 2018/2019 action plan for approval.

In the mid 1990's local authorities were encouraged to state publicly and formally their stance on fraud and corruption and as part of that to formulate and adopt an Anti-Fraud and Corruption Strategy. Accordingly, a strategy was adopted in 1995. Since that time the strategy had been subject to an annual review and for some time this had included an action plan to maintain the strategy and deliver its objectives. The copy of the strategy was included as Appendix C to the report.

Keeping the strategy under review and comparing it with those of other local authorities, ensured that it remained relevant and completing the action plan helped to maintain the overall control environment and raise awareness on fraud and corruption matters.

The strategy related to internal fraud only and not to any revenue related frauds such as Council Tax Reduction, Single Person Discount and Business Rates that would be investigated by the Corporate Fraud Team. There was a separate strategy for revenue frauds that was overseen by the Benefits and Fraud Manager.

The strategy had been reviewed to ensure that it remained relevant given the way that the Council operated and had been compared with a number of other strategies including those of the other Warwickshire councils. The strategy was broadly similar in content to the others examined and no changes were considered necessary as part of the review.

The report requested approval of the action plan for 2018/2019 which was based on the continuous improvement of the Council's anti-fraud and corruption measures. The progress with the 2017/2018 action plan also needed to be considered.

The Audit and Risk Manager outlined the report and agreed a minor amendment to Appendix D which should have referred to 2018/19.

The Chair thanked the Audit and Risk Manager for the report and for his patience in waiting for his items to be discussed.

**Resolved** that

- (1) the report and the progress with the 2017/2018 action plan (Appendix A), are noted; and
- (2) the 2018/2019 action plan (Appendix B), is approved.

40. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 25 July 2018)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 25 July 2018

Item 11B – Significant Business Risk Register

The Finance & Audit Scrutiny Committee were unable to consider this item.

Item 11C – Risk Management Annual Report

The Finance & Audit Scrutiny Committee supported the recommendations in the report.



41. **Review of the Work Programme, Forward Plan Comments from the Executive**

Due to the late hour, the Chair took the decision to defer this item until the September 2018 meeting.

(The meeting ended at 10.15 pm)

Minutes signed 29/08/2018