

Finance and Audit Scrutiny Committee

Tuesday 2 December 2014

A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 2 December 2014 at 6.00pm.

Membership:

	Councillor Barrott (Chairman)
Councillor Mrs Bunker	Councillor Pittarello
Councillor Dhillon	Councillor Pratt
Councillor Mrs Knight	Councillor Rhead
Councillor MacKay	Councillor Mrs Syson
Councillor Mrs Mellor	Councillor Williams

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

Part A – General Items

*1. Substitutes

To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

*2. Declarations of Interest

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

***3. Minutes**

To confirm the minutes of the meeting held on 4 November 2014

(Item 3/Page 1)

Part B – Audit Items

***4. Annual Audit Letter 2013/14**

To consider a report from Finance

(Item 4/Page 1)

***5. Treasury Management Activity Report for the period 1 April to 30 September 2014**

To consider a report from Finance

(Item 5/Page 1)

***6. Internal Audit Quarter 2 2014/15 Progress Report**

To consider a report from Finance

(Item 6/Page 1)

Part C – Scrutiny Items

***7. Comments from the Executive**

To receive a report from Civic & Committee Services

(Item 7/Page 1)

***8. Review of the Work Programme & Forward Plan**

To consider a report from Civic & Committee Services

(Item 8/Page 1)

***9. Executive Agenda (Non Confidential Items and Reports) – Wednesday 3 December 2014**

To consider non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting.

***10. Public and Press**

To consider resolving 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 paragraphs 1 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

***11. Executive Agenda (Confidential Items and Reports) – Wednesday 3 December 2014**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting (circulated separately).

(*Denotes those items upon which decisions will be made under delegated powers, as previously granted by Council)

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill,
Royal Leamington Spa, Warwickshire, CV32 5HZ.

Telephone: 01926 353362

Facsimile: 01926 456121

E-Mail: committee@warwickdc.gov.uk

Enquiries about specific reports: Please contact the officers named in the reports.

You can e-mail the members of the this Committee at

F&Ascrutinycommittee@warwickdc.gov.uk

Details of all the Council's committees, councillors and agenda papers are available via our
website www.warwickdc.gov.uk/committees

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 353362 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 4 November 2014 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Barrott (Chair): Councillors Mrs Bunker, Dhillon, Gifford, Mrs Knight, Heath, MacKay, Rhead, Mrs Syson and Williams.

Also Present: Councillors Cross and Vincett (Portfolio Holders).

Apologies for absence were received from Councillor Pratt

72. **Substitutes**

Councillor Meath substituted for Councillor Mrs Mellor and Councillor Gifford substituted for Councillor Pittarello.

73. **Declarations of Interest**

There were no declarations of interest.

74. **Minutes**

The minutes of the meeting held on 30 September 2014 were taken as read and, subject to the addition of Councillor Mrs Bunker being recorded as present, were signed by the Chair as a correct record.

75. **Review of Housing & Property Services Contracts Register**

The Committee received a report that set out the process for the review of the Housing and Property Services Contracts Register.

The Housing and Property Services Contract Register was presented as Appendix 1, to the report, for the Committee to consider as part of its role in promoting good procurement practice.

The Head of Housing & Property Services explained that the Service was in recovery mode at present following the recent challenges. He highlighted that his team had undertaken a detailed examination of all paid invoices, contracts and informal arrangements to ensure a comprehensive list was compiled. He was confident that the list before the Committee was a true and accurate reflection of the current position.

There were six unsigned contracts and the aim was to have the high priority ones completed and signed by the end of the quarter.

The end of year accounts for the open book repairs work were still being finalised but will be completed by 21 November 2014. The Head of Service

agreed to inform members of the final costs for the open book repairs costs for both 2012/13 and 2013/14.

In addition the Head of Service explained that all contracts that were in place would be reviewed by June 2015 to allow appropriate recommendations to come forward particularly on if open book contracts were working for the Council.

The Committee were informed that rigorous contract management was happening and example of this was how the team were resolving the issues regarding the cleaning contract. Improved procurement work was now under way and the Asbestos contract letting work was under way with PQQ evaluation and tender document preparation.

Resolved update on the unsigned contracts to the next meeting, reconciliation.

Resolved that

- (1) the report be noted; and
- (2) an update on the unsigned contracts be brought to the next meeting.

(Councillor Dhillon arrived during this item and Councillor Vincett left at the close of this item)

76. Executive Agenda (Non Confidential Items & Reports) – Wednesday 1 October 2014

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 1 October 2014.

Agenda Item 7 - Procurement Action Plan Update

There were concerns from the Committee about how far procurement had been improved within the Council since it was first raised as a concern over 6 years ago. For this reason the Scrutiny Committee asked for the Executive and the Committee to be notified of the agreed actions, regarding procurement, from the SMT away day. The Scrutiny Committee also asked the Executive to consider the Procurement Team resources and if these are sufficient considering the demands placed upon the team in terms of the need for improved procurement within the Council. This potential need for greater resources must be defined by February 2015 to enable any bid to be included budget setting process for 2015/16.

Agenda Item 4 - Sports & Leisure Options

The Committee was in agreement that it is extremely important that this work is carried out so that members are in possession of all the facts when the final decision on options for this service is made next year. The committee fully supported the recommendations in the report.

Agenda Item 5 - Budget Review to 30 September 2014

The Committee was content with the report but it did have concerns about the above budget spend on Legal Services and asked that the Executive look closely at this matter.

Agenda Item 6 - Bishop's Tachbrook Community Centre

The Committee supported the aspirations for a community centre to be built in Bishop's Tachbrook. However, there were significant concerns about the consequences of this request as laid out before the Executive. The amount of funding that the Council is being asked to approve today, albeit with some constraints as outlined within the recommendations, the committee felt very strongly that the Executive do not approve this request this evening.

The Committee have therefore made the following recommendations to the Executive:

- (1) Before any funding is considered for approval a robust and viable business case should be in place and submitted to the District Council;
- (2) That a representative of this council should be appointed to the board for the St Chads Centre to enable input as the key financial supporter of this scheme; and
- (3) A robust and effective process must be in place for assessing how such schemes are assessed and determined before any application is considered.

(Councillor Cross left the meeting at the conclusion of the discussion on this item)

Agenda Item 8 - Future use of the Warwick Limited Liability Partnership

The Committee supported the recommendations in the report.

Agenda Item 9 - Prosperity Agenda

The Committee supported the recommendations in the report.

Agenda Item 10 - Use of Delegated Powers – CSW Broadband

The Executive should be content on why such a large amount of funding is required for such a low (6,000) number of properties.

77. Comments from the Executive

A report from Civic and Committee Services summarised the Executive's responses to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 1 October 2014.

Resolved that the contents of the report be noted.

78. **Review of the Work Programme & Forward Plan**

The Committee considered its work programme for 2014/15 and the latest published version of the Forward Plan.

Resolved that


- (1) the work programme for 2014/2015 be noted;
and
- (2) at present, there were no forthcoming Executive decisions which Members wished to have an input into before the Executive make their decision.

79. **Scrutiny of Partnerships**

The Committee considered a list of partnerships to consider if they wanted to look at any of the following partnerships in greater depth as part of its remit considering the effectiveness of the Councils formal partnerships.

Resolved that the officer provide a brief sentence outlining the work of each partnership, the value of partnership and what benefit the District receives.

(The meeting ended at 8.50 pm)

 Finance and Audit Scrutiny Committee 2 December 2014		Agenda Item No. 4
Title	Annual Audit Letter 2013/14	
For further information about this report please contact	Mike Snow 01926 456800	
Service Area	Finance	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	23 September 2014 Finance & Audit Scrutiny Committee	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		Andy Jones
Head of Service		
CMT		
Section 151 Officer		Mike Snow
Finance		Mike Snow
Portfolio Holder(s)		Stephen Cross
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 This report comments on the Council's Annual Audit Letter that is attached as an Appendix to this report. The letter is the Council's External Auditor assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by the Council's External Auditor, Grant Thornton. The External Auditors will attend the Finance and Audit Scrutiny Committee for this item.
- 1.2 Members of the Executive are invited to attend if they wish to discuss any particular matter with the Council's External Auditors.

2. **RECOMMENDATION**

- 2.1 The Committee considers the Annual Audit Letter and if necessary agrees any further information required from either officers or the Council's auditors.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The Annual Audit Letter is a letter to all members of the Council which needs to be given due consideration by appropriate committees.
- 3.2 The report brings together details that were included within the Audit Findings report that was presented to members in September alongside the Statement of Accounts, with further information on progress on the audit of the grant claims and returns. Four objections to the accounts were received for which the auditors are still undertaking their investigations. The audit cannot be formally concluded until this work has been undertaken. The Auditors will report the findings of this work to members in due course.

4. **POLICY FRAMEWORK**

- 4.1 **Policy Framework** – By considering and scrutinising the report members are acting in accordance with the priority of managing services openly, effectively and efficiently.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a review of the past year's performance.

5. **BUDGETARY FRAMEWORK**

- 5.1 There are no additional financial implications associated directly with this report. The main audit fee is as originally stated to members, with the additional £900 in respect of business rates (this being an additional fee for all local authorities). Work is still being carried out by the auditors in respect of the objections to the accounts for which there will be an additional fee.

6. **RISKS**

- 6.1 That objections to the accounts are upheld by the external auditor.

7. **ALTERNATIVE OPTION CONSIDERED**

- 7.1 No alternatives have been considered.

8. **BACKGROUND**

- 8.1 The auditor's report looks at a number of key areas based on their audit work in relation to 2013/14. This report brings together the main findings from two main areas.
- 8.2 Audit opinion and financial statements. The auditors prepared their Audit Findings Report based on the Council's 2013/14 financial statements. This report was presented to the Finance and Audit Scrutiny Committee on 23 September 2014.
- 8.3 No significant weaknesses in the Council's internal control arrangements have been identified. Actions are being taken by officers to address the key issues and recommendations.
- 8.4 The Annual Audit Letter also includes details of the 2013/14 Value For Money conclusion. This was included within the Audit Findings Report in September. It was concluded that the Council have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 8.5 The audit of all the grant and subsidy claims for 2013/14 is nearly complete. A Grant Claims report will be issued by Grant Thornton later in the year.
- 8.6 Four formal objections to the accounts were received. These objections relate to:-
- resolution of the difficulties in relation to leases at Racing Club Warwick
 - the management of St Mary's Lands, including the Racecourse
 - allegedly excessive legal services costs
 - recovery of overpaid benefits.

The Annual Audit Letter for Warwick District Council

Year ended 31 March 2014

October 2014

John Gregory

Engagement Lead

T 0121 232 5333

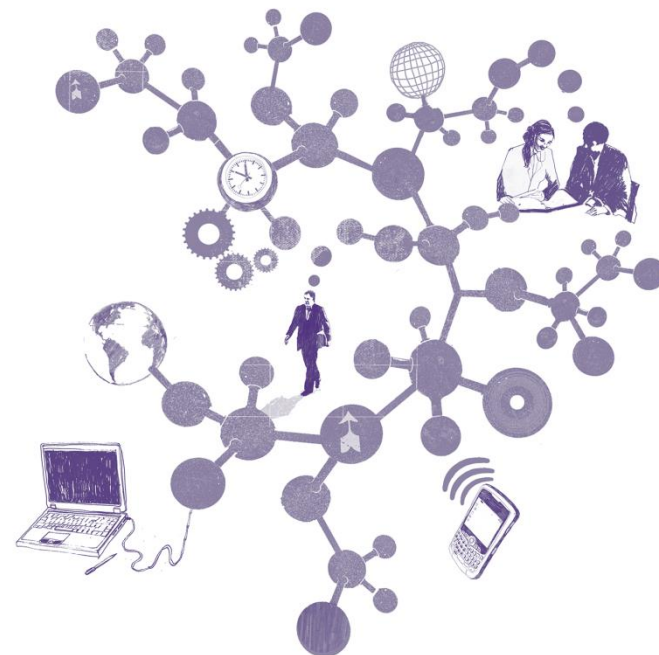
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Warwick District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 7 May 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September 2014 to the Finance and Audit Scrutiny Committee. The key messages reported were:</p> <ul style="list-style-type: none">• The draft accounts presented for audit were of a good quality, as in previous years.• Working papers provided were fit for purpose, with officers responding promptly to audit queries. This could be further enhanced by ensuring all key staff are available during the audit visit.• We have discussed with officers the overall length of the accounts and numbers of disclosures made within them. The disclosure checklist produced by CIPFA now clearly gives councils the opportunity to not disclose certain items if they are immaterial to the accounts. We are happy to work with officers to achieve a more streamlined set of accounts in future years. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
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Key messages

Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

The following key issues were highlighted as part of the reporting.

- The Council, like many others nationally, continues to face challenges in how to balance its budget. While overall the Council made a small surplus in year, there were significant areas of underspending. In addition to this there was also an underachievement against the initial savings targets agreed by the Fit for the Future programme. Officers and members recognise that further work is needed to ensure that accurate budgets and savings targets are set, but that also in the longer term, the financial settlement is likely to mean more difficult decisions are required to balance the budget and ensure the sustainability of the district.
- Our review of financial governance considered pending legal cases and on-going regulatory proceedings. Our attention was drawn to two legal issues which are yet to be resolved. One is in relation to the granting of leases on the Warwick Race Course site, the other is in relation to the pursuit of outstanding housing benefit debt. As both of these cases are in progress, the full costs relating to these cases is not known, however through our discussion with officers we do not consider these costs material to our overall conclusion.
- Our review of the financial governance of the authority highlighted the high level of standards activity during 2013/14. A review of the log of complaints shows that there were 19 complaints recorded and resolved during the period. From our experience of other similar authorities this is unusual.

Key messages

Formal Objections to the Accounts	<p>We have received four formal objections to the accounts, which is a very unusual position for any council, let alone a district. We are working with both officers and the local electors who have raised these objections to reach a conclusion in line with our statutory duties. As a result of these objections we have not been able to formally conclude the audit.</p> <p>The objections relate to:</p> <ul style="list-style-type: none">• resolution of the difficulties in relation to leases at Racing Club Warwick• the management of St Mary's Lands, including the Racecourse• allegedly excessive legal services costs• recovery of overpaid benefits. <p>We have been made aware by a number of local electors of difficulties they have encountered in seeking to exercise their statutory rights to inspect the accounts and supporting records. The level of such requests increased significantly this year and the Council will need to ensure that it has appropriate arrangements in place to prevent a reoccurrence in future years.</p>
Whole of Government Accounts	<p>We completed the required work on the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. No issues were identified.</p>

Key messages

Certification of grant claims and returns	We have certified the Housing Pooled Capital Receipts return in line with the deadline of the 30 September 2014. The claim was unqualified, however one amendment was made to ensure compliance with the requirements. Work is in progress on the housing benefit claim which has a certification deadline of the end of November 2014. We will report the findings from these claims as part of our Grant Certification Report in February 2015.
Audit fee	Our fee for the core audit in 2013/14 was £71,497, excluding VAT which was an increase of £900 compared to our planned fee for the year. This reflected additional work required on business rates following the change in the accounting regulations. In addition to the core audit fee, additional costs outside of the scale fee will be incurred as we discharge our statutory duty and respond to the objections to the accounts raised by members of the public. Work is still on-going in this area and we will continue to keep officers updated on the likely costs. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	Public requests for information The volume of requests from members of the public to inspect the accounts and supporting records increased significantly this year. The Council needs to ensure that it has sufficient arrangements in place to respond appropriately to these requests in a timely manner.	High	Management Response: Officers are already discussing how to manage these in the future, specifically considering, ensuring all officers understand responsibilities in respect of year end, wording within the advert of the public's rights, process for monitoring and co-ordinating in house, and reducing dependence on Legal Services. Responsible officer: Strategic Finance Manager Due date: 31 March 2015
2.	Annual Governance Statement The Annual Governance Statement is required to include a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officers in Local Governments (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. This was omitted from the Statement. A compliance review against these requirements should be undertaken to enable the statement to be included in future years.	Medium	Management Response: Previous reviews have not suggested that the Authority does not comply with the Statement, however, there was no reference to this within the Annual Governance Statement. The opportunity is being taken to review compliance ahead of a suitable statement being included in the 2014/15 Annual Governance Statement. A review is being undertaken by the Head of Finance with the Audit and Risk Manager. Responsible officer: Head of Finance Due date: 31 March 2015

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
3.	<p>De- cluttering of the accounts</p> <p>We have discussed with officers the overall length of the accounts and numbers of disclosures made within them. The disclosure checklist produced by CIPFA now clearly gives councils the opportunity to not disclose certain items if they are immaterial to the accounts. Officers and members should review the statement of accounts with a view to achieving a more streamlined set of accounts in future years.</p>	Medium	<p>Management Response: Initial consideration has not suggested there is much that can be removed whilst still complying with Statute and requirements of the auditors. Further consideration is still being given, plus need to discuss with auditors, seeking specific examples.</p> <p>Responsible officer: Strategic Finance Manager</p> <p>Due date: 31 March 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee *	70,597	71,497
Grant certification fee **	10,880	TBC
Fee for dealing with Local Government Objection***	0	TBC
Total fees	81,477	TBC

* Actual fees have increased by £900 compared to the audit plan. This is following approval by the Audit Commission for all Local Government bodies that a fee variation was appropriate as a result of the extra work required on business rates following the change in the accounting requirements.

** The final certification fee will be reported as part of the grant certification report.

*** As previously mentioned we have also received objections to the accounts from local residents. The work required for us to discharge our statutory duties is not included within the scale fee and therefore the costs associated with this work will be charged to the Council. We will keep officers informed of progress and the likely costs associated with this work.

Fees for other services

Service	Fees £
Appraisal of options for Kenilworth Public Service Centre (Tax advisory)	6,000

Reports issued

Report	Date issued
Audit Plan	May 2014
Audit Findings Report	September 2014
Certification report	February 2015
Annual Audit Letter	October 2014




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 Finance and Audit Scrutiny Committee. 2nd December 2014.		Agenda Item No. 5
Title	Treasury Management Activity Report for the period 1st April 2014 to 30th September 2014.	
For further information about this report please contact	Karen Allison, Assistant Accountant 01926 456334 Karen.allison@warwickdc.gov.uk	
Wards of the District directly affected		
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/a	
Background Papers	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No-not relevant.

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	10.11.2014	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	06.11.2014	Mike Snow
Monitoring Officer	N/A	
Finance	06.11.2014	Roger Wyton
Portfolio Holder(s)	N/A	
Consultation & Community Engagement		
None.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report details the Council's Treasury Management performance for the period 1st April 2014 to 30th September 2014.

2. **Recommendation**

- 2.1 That Finance and Audit Scrutiny Committee notes the contents of this report.

3. **Reasons for the Recommendation**

- 3.1 The Council's 2014/15 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis.
- 3.2 This report informs Members of past performance, hence Members are just asked to note the information contained within it.

4. **Policy Framework**

- 4.1 **Policy Framework** -The Treasury Management function enables the Council to achieve its objectives within the strategy and policies.
- 4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live work and visit as set out in the Sustainable Community.
- 4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

5. **Budgetary Framework**

- 5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital. The Council is reliant upon interest received to help fund the services it provides. The current estimate for investment interest in 2014/15 is shown in the table below:

	Latest 2014/15 Budget (Aug 14)	Original 2014/15 Budget (Jan 14) £
Gross Investment Interest	398,900	311,100
Less HRA allocation	140,000	137,600
Net interest to General Fund	258,900	173,500

- 5.2 The 2014/15 original investment interest forecast was predicated on the basis that the economic situation and the creditworthiness of banks would improve thus allowing core investments to once again be re-invested for 364 days. Net external investment receipts are expected to increase by £85,400 in 2014/15 and by £181,000 in 2015/16, when compared to the 2014/15 original. The positive variations in 2014/15 and 2015/16 are mainly due to a forecast of gradual interest rate increases, in particular from the 1st quarter rate of 0.75% in 2015/16 to the 4th quarter rate of 1.00%. The Council disposed of Kingsway Community Centre to Waterloo Housing Association in 2012/13 under a

deferred capital receipt arrangement and the General Fund has been credited with £6,900 in 2014/15 to reflect the foregone interest that it would have earned if the capital receipt had been received outright rather than deferred for a number of years. During 2014/15, the Council has also disposed of Bourton Drive and Henley Road garage sites in a similar manner. No interest credit is due to the General Fund in 2014/15 but £13,900 will be credited to the General Fund in 2015/16.

6. Risks

- 6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).
- 6.2 In addition, the introduction, for 2014/15, of Variable Net Asset Money Market Funds into the portfolio potentially increases capital risk. This is through potential capital loss due to market price fluctuations, for instance if investments have to be withdrawn early. This is mitigated by good cash flow management ensuring that investments are available for the necessary length of time to ensure that there is no negative impact on the capital value of the fund. In addition, mitigation is achieved by having a lower investment limit than for Constant Net Asset Value Money Market Funds in which there is no risk of capital loss.
- 6.3 Corporate Bonds and Floating Rate Notes (FRN's) introduce Counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRN's with a strong Fitch credit rating, in this case A+ and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

7. Alternative Option(s) considered

- 7.1 None.

8. Background

- 8.1 A detailed commentary by our Treasury Consultants, Capita Asset Services, of the economic background surrounding this report appears as Appendix A.

9. Interest Rate Environment

- 9.1 The major influence on the Council's investments is the Bank Rate. The Bank Rate remained at 0.5% for the first half year to 30th September 2014. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:-

Qtr End- ing	Now (Sept 2014)	Dec 2014	Mar 2015	June 2015	Sept 2015	Dec 2015	Mar 2016	Jun 2016	Sept 2016	Dec 2016	Mar 2017
Current Forecast, as at September 2014:											
Bank Rate %	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Forecast, as at January 2014, (when Original Budgets were set):											
Bank Rate %	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.25

Capita Asset Services undertook a review of its interest rate forecasts in mid-October 2014 as a result of the financial markets having a 'panic attack' which has seen equities markets down sharply and investors moving into safe haven bonds, so depressing bond yields. The latest forecast now includes a first increase in Bank Rate in quarter 2 of 2015.

The forecast as at January 2014 is shown for comparison purposes as this forecast was used in calculating the original budgets.

- 9.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2014/15 was approved by Council on 12th March 2014. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions credit ratings, to ensure that it does not lend to those institutions identified as being at risk either from the residual impact of the past crisis in the banking sector or the potential issues arising from the current poor Eurozone economic situation. A copy of the current lending list is shown as Appendix B.

10 Investment Performance

Money Market Investments

- 10.1. During 2014/15, the in house function has invested core cash funds and one cash flow fund in fixed term deposits in the Money Markets. The table overleaf illustrates the performance of the in house function during this first half year for each category normally invested in:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
Up to 7 days			
April to Sept 2014	No investments made in this half year.		
Over 7 days & Up to 3 Months			
April to Sept 2014	0.48%	0.46%	+0.02%
Value of Interest earned first half year	£2,420	£2,309	+£111
Over 3 Months & Up to 6 Months			
April to Sept 2014	0.68%	0.61%	+0.07%
Value of Interest earned first half year	£23,755	£21,543	+£2,212
Over 6 Months to 365 days			
April to Sept 2014	0.91%	0.94%	-0.03%
Value of Interest earned first half year	£90,655	£93,975	-£3,320
1 year and over			
April to Sept 2014	0.95%	1.10%	-0.15%
Value of Interest earned first half year	£28,526	£33,105	-£4,579
TOTAL INTEREST FIRST HALF YEAR	£145,356	£150,932	-£5,576

- 10.2 All the LIBID rates in the table above and referred to below include a margin of 0.0625%.
- 10.3 During April to September, nine core investments matured. In the period 'over 7 days to 3 months' our out-performance was achieved by purchasing a three month cash flow investment with DBS Bank which, when it matured in mid-September, was re-invested for six months. Also a core investment CD with Standard Charter for 6 months was replaced mid-July with a Nordea Bank Finland CD for 3 months. In the period '3 to 6 months' again we out-performed. Two Lloyds Banking Group 364 day investments were re-invested for only 6 months due to the UK Government making no clear indication as to the timing and size of future divestments. However both of these investments took advantage of the enhanced rates being offered by Lloyds Banking Group over the 6 month "going" market rate.
- 10.4 The under-performance in 'over 6 months to 365 days' was mainly due to improving the security and maturity profile of the portfolio. A maturing three month building society investment was re-invested with a higher credit rated counterparty, Royal Bank Of Scotland CD, for 365 days. Also a matured 3 month Nordea Bank CD was invested in a Deutsche Bank CD for 364 days. Finally, in April, a matured five month investment with Skandinaviska Enskilde Bank was invested with the Greater London Authority for a year and a half. The above investments reflect the need to balance security against yield which on occasions may result in an underperformance of the benchmark.

- 10.5 Given that the current Bank Rate is only 0.50% the level of performance achieved in this first half year continues to be satisfactory.

Money Market Funds & Call Accounts

- 10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Their performance in this period is shown in the following table:

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Deutsche			
April to Sept 2014	0.36%	0.41%	-0.05%
Value of Interest earned 1st half yr	£199	£227	-£28
Goldman Sachs			
April to Sept 2014	0.38%	0.41%	-0.03%
Value of Interest earned 1st half yr	£1,082	£1,155	-£73
Invesco Aim			
April to Sept 2014	0.42%	0.41%	+0.01%
Value of Interest earned 1st half yr	£1,658	£1,614	+£44
Federated Prime Rate Constant Net Asset Value (CNAV)			
April to Sept 2014	0.46%	0.41%	+0.05%
Value of Interest earned 1st half yr	£9,056	£8,070	+£986
Federated Prime Rate Variable Net Asset Value (VNAV) from 29th April 2014			
April to Sept 2014	0.62%	0.41%	+0.21%
Value of Interest earned 1st half yr	£15,811	£14,060	+£1,751
Ignis			
April to Sept 2014	0.45%	0.41%	+0.04%
Value of Interest earned first half year	£19,103	£17,494	+£1,609
HSBC BDA a/c- Call Account			
April to Sept 2014	0.39%	0.41%	-0.02%

Value of Interest earned first half year	£4,893	£5,205	-£312
Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Svenska Handelsbanken- Call Account			
April to Sept 2014	0.55%	0.41%	+0.14
Value of Interest earned first half year	£13,808	£10,283	+£3,525
TOTAL INTEREST FIRST HALF YEAR	£65,610	£58,108	+£7,502

- 10.7 During the half year, the Council's cash flow investments were into the Money Market Funds and the HSBC Business Deposit Account.
- 10.8 As with the Money Market investments in paragraph 9.1, the LIBID benchmark which in this case is the 7 day rate (except for the Federated Prime Rate Variable Net Asset Fund where a 6 month LIBID rate is used) has been increased by a margin of 0.0625% and it can be seen from the table above that the total interest out performance of the benchmark continues to be satisfactory. The Council continued to concentrate its investments in the three highest performing funds Federated Prime Rate (variable and constant net asset value funds), Ignis, and Goldman Sachs along with the two call accounts, HSBC Business Deposit Account and Svenska Handelsbanken.
- 10.9 During the first half of 2014/15 the Council earned £65,610 interest on its Money Market Fund investments at an average rate of 0.49% and the average balance in the funds during the period was £13,304,656.
- 10.10 The following table brings together the investments made in the various investment vehicles during the first half year to give an overall picture of the investment return:-

Investment Vehicle	Investment Return (Annualised) £	LIBID Benchmark (Annualised) £	Out/(Under) Performance £
Money Markets	145,356	150,932	-5,576
Money Market Funds & Call A/c's	65,610	58,108	+7,502
Total	210,966	209,040	+1,926

The original estimate of annual external investment interest for 2014/15 was £311,100 gross and this was revised in August to £398,900, the increase being due to additional interest earned on increased balances as a result of variations in the 2013/14 and 2014/15 revenue and capital programmes (+£48,300) and also the prediction of a gradual rise in interest rates resulting in an increase of £39,600. It should be noted that the total investment return of £210,966

shown in the table above will not all be received in 2014/15 as it is an annualised figure and will include interest relating to 2015/16.

- 10.11 An analysis of the overall in house investments held by the Council at the end of September 2014 is shown below:

(The balance at 31st March 2014 is shown for comparison)

Type of Investment	Closing Balance As at 30 th September 2014	Closing Balance As at 31st March 2014
	£	£
Money Markets incl. CD's	36,000,000	34,000,000
Money Market Funds	15,842,000	12,671,000
Business Reserve Accounts including Call Accounts	5,666,000	5,739,000
Total	57,508,000	52,410,000

11. Counterparty Credit Ratings

- 11.1 The investments made in the first half year and the credit ratings applicable to the counterparty at the point at which the investment was made is shown in the table below:-

the table below.

Counterparty	Investment Amount £	Credit Rating			
		Long Term	Short Term	Viability	Support
Banks					
WDC Minimum	(Fitch)	A+	F1	BBB	1
Deutsche (CD)	£3,000,000	A+	F1+	A	1
DBS	£2,000,000	AA-	F1+	AA-	1
DBS	£2,000,000	AA-	F1+	AA-	1
Nordea Bank	£2,000,000	AA-	F1+	AA-	1
UK Government Part Owned Banks					
WDC Minimum	(Fitch)	A	F1	BBB	1
Bank of Scotland	£2,000,000	A	F1	A-	1
Royal Bank of Scotland	£3,000,000	A	F1	BBB	1
Royal Bank of Scotland	£1,000,000	A	F1	BBB	1
Lloyds TSB Bank	£3,000,000	A	F1	A-	1
Lloyds TSB Bank	£3,000,000	A	F1	A-	1
Local Authorities					
WDC Minimum	N/A				
Greater London Authority	£2,000,000				
MoneyMarket Funds (Investment amount is average principal in fund during the half year)					
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAM or Moodys AAA & Volatility Rating MR1+				
Deutsche	£110,493	Fund retained its rating throughout half year			
Invesco Aim	£786,023	Fund retained its rating throughout half year			
Federated Prime Rate	£9,000,000	Fund retained its rating throughout half year			

Ignis	£8,563,986	Fund retained its rating throughout half year			
Goldman Sachs	£562,195	Fund retained its rating throughout half year			
<u>Counterparty</u>	<u>Investment Amount</u> <u>£</u>	<u>Credit Rating</u>			
		<u>Long Term</u>	<u>Short Term</u>	<u>Viability</u>	<u>Support</u>
<u>Call Accounts</u>					
WDC Minimum	(Fitch)	A+	F1	BBB	1
HSBC Business Deposit Account	£2,534,428	Counterparty retained its rating throughout period of AA- long term, F1+ short term, A+ viability and 1 for support.			
Svenska Handelsbanken	£5,000,000	Counterparty changed its rating in June 2014 from A+ long term, F1 short term, A+ viability and 1 for support to AA- long term, F1+ short term, AA- viability and 1 for support.			

11.2 It can be seen that all investments made within the first half year were in accordance with the Council's credit rating criteria.

11.3 Also attached for the Committee's information as Appendix B is the Council's current 2014/15 Counterparty lending list.

12. **Benchmarking**

12.1 With regard to the Capita Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils, the results are published quarterly. Analysis of the results for the first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.70% was in line with Capita's model portfolio band range of 0.65% to 0.77% based on the risk in our portfolio.

12.2 Our result for the September quarter was, again, 0.70% WARoR which matched that of Capita's model portfolio.

12.3 A comparison between Warwick District Council and the benchmarking group reveals that during both quarters our WARoR was one of the highest in the group and our weighted average risk was one of the lowest. Furthermore, our portfolio (call accounts, fixed deposits etc.) and institution (banks, Money Market Funds etc.) breakdowns are comparable with the benchmarking group, which provides comfort that our investments are being placed wisely.

13. **Borrowing**

13.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383m.

13.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility with HSBC. The interest rate on this facility is 2% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year overdraft interest of £10.25 was paid.

14 Prudential Indicators

- 14.1 The 2014/15 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

1. CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

- 1.1 After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1 and 0.9% in Q2 2014 (annual rate 3.2% in Q2), it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering.
- 1.2 The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting.
- 1.3 This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable.
- 1.4 There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016.
- 1.5 Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.
- 1.6 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in July, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in

2018-19. However, monthly public sector deficit figures have disappointed so far this year.

- 1.7 In September, the U.S. Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$15bn and are expected to stop in October 2014, providing strong economic growth continues. First quarter GDP figures were depressed by exceptionally bad winter weather, but quarter 2 rebounded strongly to 4.6%.
- 1.8 The Eurozone is facing an increasing threat from deflation. In September, the inflation rate fell further, to reach 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June and September to loosen monetary policy in order to promote growth.

Warwick District Council Standard Lending List As At April 2014

BANKS

Investments up to 364 days (3 months for explicitly guaranteed subsidiaries)

Maximum investment limit with any one part or fully nationalised bank = £9m

Maximum investment limit with any one private sector bank = £5m

Group limit = £5m (£9m UK Govt part owned banks) (group = other banks on WDC list as identified below* including explicitly guaranteed subsidiaries)

Minimum Fitch ratings credit rating = long term A+ (UK Govt part owned A), short term f1, viability rating of bbb and support rating of 1. Sovereign country rating – at least equal to that of the UK (currently AA+).

Investments over 364 days

As above but maximum overall investment per counterparty and/or group is £5m for a maximum of two years, subject to an overall limit of £15m (including category a building societies, corporate bonds, corporate bond funds and property funds) seek advice from capita asset services before placing deals in this category to ensure that the interest rate offered is appropriate.

Nb - £15m over 364 day limit only applies to those investments where at 1st April the remaining term is greater than 364 days. Any over 364 day investment with 364 days or less to maturity at 1st April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
AUSTRALIA (AAA)- MONITORING @ 5.9.14		
Australia & New Zealand Banking Group Ltd		
Commonwealth Bank of Australia		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale Clydesdale Bank*	Yes
Westpac Banking Corporation		
CANADA (AAA)		
Bank of Montreal	Bank of Montreal Ireland plc*	

Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
FINLAND (AAA)		
Nordea Bank Finland	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
FRANCE (AA+) Monitoring CDS status @5.9.14		
BNP Paribas-	BNP Paribas Finance* BancWest Corporation (California)* Banca Nazionale Del Lavoro SpA* First Hawaiian Bank* United Overseas Bank*	
Credit Industriel et Commercial		
GERMANY (AAA)		
Commerzbank AG- care as CDS status monitoring.		
Deutsche Bank AG	Bankers Trust International plc* Deutsche Asset Management* Deutsche Bank Americas Finance LLC* Deutsche Bank Securities * Deutsche Bank Trust Company Americas* Deutsche Trust Corporation New York*	
Landesbank Baden Weurttemberg		

HONG KONG (AA+)- Monitoring @ 17.10.14		
The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
NETHERLANDS (AAA)		
ING Bank NV	ING Belgium*	
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)		
Nordea Bank AB	Nordea Bank Denmark* Nordea Bank Finland Nordea Bank Norge* Nordea Bank North America*	Yes
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
UNITED KINGDOM (AA+)		
HSBC Bank plc	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
Standard Chartered Bank- check CDS status before using as 'monitoring' @ 11/07/14		

Lloyds Banking Group Including :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
UNITED STATES OF AMERICA (AAA)		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
State Street Bank and Trust Company	State Street Banque* State Street Corporation*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

BUILDING SOCIETIES – CATEGORY A

Investments up to 364 days

Maximum investment limit with any one building society = £4m

Minimum Fitch ratings credit rating = at least equal to UK sovereign rating (currently AA+), long term a+ and short term f1

None

Investments over 364 days

Category A Building Societies up to £1m for up to 2yrs subject to overall £15m limit for over 364 day investments.

BUILDING SOCIETIES – CATEGORY B

Maximum investment limit = £2m

Maximum length of investment = 364 days

Minimum Fitch ratings credit rating = at least equal to UK (currently AA+) sovereign rating, long term less than a+ and short term f1 or above

- Coventry
- Nationwide

BUILDING SOCIETIES – CATEGORY C

All other building societies in the top 20 (at 04.04.14) ranked by asset value (floor £500m)

Maximum investment limit = £1m

Maximum length of investment = 3 months

Group limit = £8m

- Yorkshire
- Skipton
- Leeds
- Principality
- West Bromwich
- Newcastle
- Nottingham
- Progressive
- Cumberland
- National Counties
- Saffron
- Cambridge
- Monmouthshire
- Furness
- Leek United
- Newbury
- Manchester
- Ipswich

NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

Maximum investment limit = £9m

Maximum length of investment = 364 days

LOCAL AUTHORITIES INCLUDING POLICE & FIRE AUTHORITIES

Maximum investment limit = £9m

Maximum length of investment	Short term – up to and including 364 days
	Long term – over 364 days and up to 5 years subject to overall over 364 day limit of £15m

Any local authority in Great Britain and Northern Ireland at the discretion of the Head of Finance

SUPRANATIONAL INSTITUTIONS / MULTI-LATERAL DEVELOPMENT BANKS

Minimum Fitch credit rating = AAA or government guaranteed

Maximum investment limit = £5m per counterparty

Maximum length of investment = 364 days. Seek advice from capita asset services before placing deals in this category to ensure that the interest rate offered is appropriate.

European Community

European Investment Bank

African Development Bank

Asian Development Bank

Council of Europe Development Bank

European Bank for Reconstruction & Development

Inter-American Development Bank

International Bank of Reconstruction & Development

Or any other Supranational/Multi-Lateral Development Bank meeting criteria

CNAV MONEY MARKET FUNDS

MINIMUM CREDIT RATING – STANDARD AND POORS AAAM OR MOODY'S Aaa-mf OR FITCH AAAMmf

MAXIMUM INVESTMENT LIMIT = £9M

MAXIMUM LENGTH OF INVESTMENT = NOT DEFINED – DEPENDS ON CASH FLOW

Current

Aim Global (£9m limit)

Deutsche (£9m limit)

Prime Rate (£9m limit)

Goldman Sachs (£9m limit)

Ignis (£9m limit)

Any other MMF satisfying above credit rating criteria (£9m limit)

VNAV MONEY MARKET FUNDS

Minimum credit rating – Standard and Poors aaafs1 or Moodys aaa-bf or Fitch AAA/v1

Maximum investment limit = £6m (also group limit)

Maximum length of investment = not defined – depends on cash flow

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 1

Short term

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty = £5m for maximum of 364 days subject to overall group limit of £5m.

Long term – Corporate bonds only

Senior Unsecured Corporate Bonds issued by Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of

purchasing the bond - maximum limit per counterparty =£5m for maximum of 2 years subject to overall group limit of £5m and overall over 364 day limit of £15m

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 2

Short term

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note- maximum limit per counterparty =£9m for maximum of 364 days subject to overall group limit of £9m.

Long term – Corporate bonds only

Senior Unsecured Corporate Bonds issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£9m for maximum of 2 years subject to overall group limit of £9m and overall over 364 day limit of £15m.

CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 3

Short term

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Corporate Entities with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty =£3m for maximum of 364 days.

Long term – Corporate bonds only

Senior Unsecured Corporate Bonds issued by Corporate Entities with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£3m for maximum of 2 years subject to overall 364 day limit of £15m.

CORPORATE BOND FUNDS

Long term only

Any Corporate Bond Fund with a minimum investment grade rating of BBB (Fitch). £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

POOLED PROPERTY FUNDS (e.g. REITS)

Long term only

Any Pooled Property Fund authorised by the FS&MA. £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

CCLA PROPERTY FUND

Long term only

£5m for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

UK Government

UK Government Debt Management Account Facility

Maximum investment limit = £12m


Maximum length of investment = 364 days

UK Government Gilt Edges Securities

UK Government Treasury Bills

Maximum investment limit = £9m

Maximum length of investment = not defined

 Finance and Audit Scrutiny Committee 2 December 2014		Agenda Item No. 6
Title	Internal Audit Quarter 2 2014/15 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 2 September 2014	
Background Papers	Internal Audit Reports	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A: no direct service implications

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive / Deputy Chief Executive	10 Nov 2014	Chris Elliott
Section 151 Officer	10 Nov 2014	Mike Snow
Monitoring Officer	10 Nov 2014	Andrew Jones
Human Resources		
Finance	10 Nov 2014	As Section 151 Officer
Portfolio Holder	10 Nov 2014	Councillor Cross
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2014/15, summarises the audit work completed in the second quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 RECOMMENDATIONS

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

3 REASON FOR THE RECOMMENDATIONS

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

5 BUDGETARY FRAMEWORK

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 POLICY FRAMEWORK

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

7 RISKS

- 7.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 7.2 It is difficult to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

8 ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

- 8.1 Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.

8.2 Essentially, the purpose of an audit committee is:

- To provide independent assurance of the associated control environment.
- To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

8.4 The following sections provide information to satisfy these requirements.

9 **PROGRESS AGAINST PLAN**

9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of the progress made so far in completing the Audit Plan for 2014/15 is set out as Appendix 2.

10 **ASSURANCE**

10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.

10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, there are weaknesses in the system that leaves some risks not addressed together with non-compliance with some of the controls, including key ones.
Limited Assurance	The system of control is weak and there is non-compliance with the controls that do exist.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

11 **INTERNAL AUDIT ASSIGNMENTS COMPLETED DURING QUARTER**

11.1 Six audits were completed in the second quarter of 2014/15. Copies of all the reports issued during the quarter are available for viewing on the following hyper-link: [Reports](#).

11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the

audits together with the management responses, including target implementation dates.

- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the last quarter.
- 11.4 Two of the audits completed during the quarter were awarded a lower than substantial assurance opinion. The audits were Shared Legal Services and Corporate Properties Repair & Maintenance. The reports relating to these audits are set out as Appendix 4.

12 **IMPLEMENTATION OF RECOMMENDATIONS ISSUED PREVIOUSLY**

- 12.1 Managers are required to implement recommendations within the following timescales:
 - (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the second quarter of 2013/14 is set out as Appendix 5 to this report. There were no **high risk** recommendations issued in the fourth quarter of 2013/14.
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in earlier quarters.

13 **REVIEW**

- 13.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

Public Sector Internal Audit Standards 2013

Independence and Objectivity

The chief audit executive must...establish effective communication with, and have free and unfettered access to...the chair of the audit committee.

Glossary

Definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Audit Committees: Practical guidance for Local Authorities (CIPFA)

Core Functions

Audit committees will:

... Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

Called to Account: The Role of Audit Committees in Local Government (Audit Commission)

Monitoring Audit Performance

Auditor/officer collaboration

Slow delivery and implementation of recommendations reduces the audit's impact and can allow fraud to flourish or service delivery to deteriorate. Audit committees can play a key role in ensuring that auditors and officers collaborate effectively. This can enable auditors' reports to be dovetailed into the relevant service committee cycles and ensure that officers respond promptly to completed audit reports.

Management response

An audit committee can ensure that officers consider these recommendations promptly, and act on them where auditors have raised valid concerns.

Implementation

Agreed recommendations arising from audit work need to be implemented. Councils should have a forum for considering the contribution of internal and external audit and for ensuring that audit is, in practice, adding value to corporate governance.

Audit committees can be a powerful vehicle for securing implementation of audit recommendations and thereby improve the operation and delivery of Council activities.

CIPFA Technical Information Service Online

Audit Reporting

Introduction

Internal auditors should produce periodic summary reports of internal audit's opinion and major findings.

The...report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the soundness or otherwise of the organisation's internal control system. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

Periodic Internal Audit Reports

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently. Members or non-executive directors' interest in internal audit should normally be restricted to gaining an assurance that the organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any short comings are rectified promptly.

Audit committee members should not usually get involved in discussing individual internal audit findings or recommendations but should concentrate their attentions on the opinions internal audit express on the activities and systems they have reviewed. These opinions should be summarised and should provide a clear opinion on the overall quality of the organisation's internal control system and the general level of performance across the organisation. Members or non-executive directors should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and that these have been promptly implemented.

If, however, major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

INTERNAL AUDIT PROGRESS 2014/15: QUARTER 2**ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	288.0	144.0	137.9	+6.1
<u>Other Time</u>				
Sundry audit advice	22.0	11.0	14.7	-3.7
Special investigations (e.g. Fraud/Irregularities)	30.0	15.0	0.7	+14.3
Corporate and departmental Initiatives	39.0	19.5	22.0	-2.5
Non-chargeable activities	114.0	57.0	67.0	-10.0
Leave and other absences	116.0	58.0	71.6	-13.6
<i>Total Other Time</i>	321.0	160.5	176.0	-15.5
<i>Total Time</i>	609.0	304.5	313.9	-9.4

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Committee Services	10.0	8.0	+2.0
Shared Legal Services	10.0	11.5	-1.5
Corporate Training	8.0	10.0	-2.0
Corporate Properties Repair & Maintenance	14.0	15.5	-1.5
Royal Spa Centre	15.0	14.5	+0.5
Development Management	14.0	15.4	-1.4

Explanation of variances where greater than 20% (unless within 2 days):

Lettings and Void Control: Programme of tests more thorough than initially anticipated.

Completion of Audit Plan: Target Vs Actual

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
34	12	35.0	11	32.4	-1	-8.3

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 2, 2014/15

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Committee Services – 26 September 2014				
3.5.8	Future phases for both CMIS development and Councillor iPad roll-out (if pursued) should follow PRINCE2 methodology utilising the corporate project resources.	Low	Democratic Services Manager	<p>Agreed. The development of CMIS is currently at a pause to enable discussions with our supplier on this area. When development resumes this will be built around a robust business case and plan.</p> <p>IPAD project December 2014</p> <p>With regard to the Ipad project this will be developed as part of the review of the current trial in December 2014.</p> <p>CMIS project as required.</p>

¹ Risk Ratings are defined as follows:

- High - Issue of significant importance requiring urgent attention.
- Medium - Issue of moderate importance requiring prompt attention.
- Low - Issue of minor importance requiring attention.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Shared Legal Services – 20 August 2014				
4.3.3	Management should ensure that budget setting for Shared Legal Services takes due account of the Agreement commitment and that any significant variation from the sum provided for is by mutual agreement between Warwick District Council and Warwickshire County Council.	Low	Deputy Chief Executive and Monitoring Officer/ Head of Finance	Agreed. This will be remedied for 2015/16 budget setting. February 2015 (WDC budget setting).
4.4.10(1)	The Shared Legal Services User Guide should be refreshed including update of content and expansion to cover (where applicable) standing mandates and internal expectations including financial responsibility and ensuring compliance with relevant Council policies.	Medium	Deputy Chief Executive and Monitoring Officer	Agreed. WCC refreshing User Guide for WDC/WCC sign-off. 30 September 2014.
4.4.10(2)	The documents accompanying the Shared Legal Services User Guide on the Intranet should be updated.	Low	Deputy Chief Executive and Monitoring Officer	Agreed. This has been done and will accompany refreshed User Guide. 31 October 2014.
4.4.10(3)	The refreshed Shared Legal Services User Guide should be relocated, together with the accompanying documents, to a more appropriate and prominent Intranet site and all authorised commissioning officers notified.	Low	Deputy Chief Executive and Monitoring Officer	Agreed. Will be done once User Guide refreshed. 31 October 2014.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
4.4.10(4)	All newly authorised commissioning officers should be advised of the Shared Legal Services User Guide and instructed to familiarise themselves with it.	Medium	Deputy Chief Executive and Monitoring Officer	Agreed. Will now be done on a rolling basis. 30 September 2014.

Corporate Training – 31 July 2014

An audit was undertaken to test the management and financial controls in place in the following the operational areas:

- Strategies and Policies
- Planning and Programming
- Budgets and Procurement, and
- Monitoring, Feedback and Reporting

The control objectives examined were:

- The learning and development of officers is structured to help meet corporate objectives
- The training and development needs of staff are identified
- Training is planned around identified needs
- Staff are aware of the training that is available to them
- Training is provided to the correct staff
- Corporate training is provided in line with available budgets
- Value for money is achieved in the procurement of training courses
- Training provided meets the needs of staff
- Members and senior managers are aware of the training provided and the impact of this towards achieving the council's objectives.

The review was able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the management of Corporate Training are appropriate and are working effectively.

The review did identify, however, a number of issues that were on the 'to do' lists of the interim staff members. Whilst no formal recommendations were made in these instances, they were noted in the report to formally acknowledge that there are current issues.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Corporate Properties Repair and Maintenance – 30 September 2014				
4.3.4 (a)	A procurement exercise needs to be undertaken regarding door entry works at corporate properties covering the works currently being undertaken by Baydale and Dorma.	Low	Asset Manager / Building, Surveying & Construction Manager	It was agreed with the previous Procurement Manager that the service should be absorbed into the current contract with Baydale as no response was received from suppliers during the unsuccessful procurement exercise undertaken in 2012/13. It is proposed to confirm this approach with the current Procurement Manager and act accordingly. December 2014.
4.3.4 (b)	The out-of-hours situation should be investigated to ascertain if Pinners can provide this service. If not, procurement options should be investigated.	Medium	Asset Management Team	The risk of challenge is considered, by the Asset Manager, to be very low. Whilst the out-of-hours work could be split between contractors, the current arrangements are considered to be the most efficient for WDC, as it removes the need to pay several contractor duty officers. Provision for the service is made in relevant contracts. Out-of-hours instructions are carefully managed to ensure that assets are made safe and secure in the first instance and then all follow-on work is redirected to the principal contractors. N/A.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.3.4 (c)	The use of the Electric Centre by Warwick Plant Maintenance staff should be formalised or consideration should be given to the use of a procurement card if appropriate.	Low	Asset Manager / Energy Manager	Agreed. Officer time will be dedicated to following up this action. April 2015.
4.3.4 (d)	The procurement options around the use of Ser-Tec Systems Ltd should be investigated, with a formal contract being put in place if no other suppliers are able to provide the service.	Medium	Asset Manager / Energy Manager	Agreed. Work will be undertaken to ascertain if other suppliers are available and the contract issue will be resolved accordingly. April 2015.
Royal Spa Centre – 17 September 2014				
4.3.2	The petty cash imprest should be reduced to £100 with the balance of £350 being repaid.	Low	Theatre and Town Hall Manager	Laura Bates (Deputy Manager) will arrange for the £350 to be banked and liaise with Finance. 1 st October 2014.
4.6.5	Merchant copies of debit and credit receipts displaying the full 16 digit account number should have the first 12 digits obliterated.	Medium	Theatre and Town Hall Manager	Debbie Hanks (Customer Services Manager) will enquire of HSBC whether it is possible for the terminals to blank out the 12 digits. If not – will implement procedure to obliterate the numbers manually. 1 st October 2014.
4.6.13	Appropriate measures should be taken to remedy the present difficulties with the monitoring and allocation of Royal Spa Centre income.	Medium	Head of Finance	Meeting with John Gould, Stephen Falp, Philippa Sheasby and David Guilding to address? TBC.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.6.16	Invoices for hirings of the Royal Spa Centre should be raised regularly and no more than a month after the event has taken place.	Medium	Theatre and Town Hall Manager	David Guilding and Laura Bates to implement in weekly procedures. Immediately (17/09/14).
4.6.16	Consideration should be given to demanding payment in advance for hirings unless there are good reasons why this may be inappropriate.	Medium	Theatre and Town Hall Manager	David Guilding and Laura Bates to implement in weekly procedures – where appropriate. Immediately (17/09/14).
Development Management – 30 September 2014				
4.1.7 (a)	Ensure all appropriate records are retained on IDOX.	Low	Development Management Team Leader	This is important in ensuring transparency within the service. This will be highlighted to all relevant officers and monitored at an appropriate level to ensure compliance. 30 Nov 2014.
4.1.7 (b)	Ensure Site Visit Reports are completed with sufficient detail.	Low	Development Management Team Leader	As above. 30 Nov 2014.
4.1.7 (c)	Ensure all relevant consultation responses are included in reports.	Medium	Development Management Team Leader	This is important in demonstrating that all appropriate consultation responses have been properly taken into account in the decision making process. Action as above. 30 Nov 2014.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.1.7 (d)	Ensure that the scheme of delegation is adhered to for all planning applications received.	Medium	Development Management Team Leader	This is crucial in ensuring that decisions are made at the appropriate level. Action as above. 30 Nov 2014.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 2 2014/15**

Shared Legal Services – 20 August 2014

1. Scope and Objectives of Audit

- 1.1. The purpose of the audit examination was to report a level of assurance on the adequacy of controls to secure economic, efficient and effective delivery of legal services under the shared agreement with Warwickshire County Council.
- 1.2 The examination was in the form of an evidential risk-based review of structures and processes for managing Warwick District Council's interests in respect of the Shared Legal Services Agreement, focusing on the following areas:
 - § contractual provisions;
 - § roles and responsibilities;
 - § resource planning;
 - § procedures for commissioning, issue of instructions, case review and sign-off;
 - § financial processes and monitoring;
 - § performance and improvement.
- 1.3 The findings are based on:
 - § initial discussion with Andy Jones, Deputy Chief Executive and Client Manager;
 - § an awareness survey of officers authorised to commission services;
 - § discussions with selected officers involved with commissioning legal services;
 - § examination of relevant documents and a sample of records;
 - § analysis of financial and billing data over the twelve months prior to the audit.
- 1.4 No examination of the systems operated by Warwickshire County Council in respect of Shared Legal Services was deemed appropriate to the scope of this audit. The option was left open during the audit to contact representatives of the service at the County if required for information purposes (subject to Andy Jones' express consent). In the event, however, no such contact was deemed necessary.

1.5 For assurance purposes in this regard, reliance is placed on assumptions that Lexcel accreditation is preserved and the County's legal service operation as a whole is subject to scrutiny by the their own internal audit function.

2. Background

2.1 The arrangements for the provision of a Shared Legal Service between Warwick District Council and Warwickshire County Council first came into effect in March 2010. These took the form of a single in-house team with the aims of improving resilience, maintaining sufficient capacity through fluctuations in demand and reducing reliance on external resources to the benefit of both parties.

2.2 With the approval of the Executive, a new 4-year agreement was entered into with effect from 1st April 2013.

2.3 In the previous audit undertaken in September 2011, the findings were dominated by major issues concerning the billing process. It is clear that these have been addressed and the process now runs relatively well. The tables of charge elements that support the monthly invoices have proved valuable for analysis and testing.

2.4 To gain insight into day-to-day commissioning and case management processes on the District side, the top five users were selected for more detailed enquiry, analysis and testing. Based on the level of spend (including disbursements) over the twelve months prior to the audit, these are:

<u>Service</u>	<u>Expenditure</u> (£000)
Estates (corporate/commercial)	104
Housing Anti-Social Behaviour Injunctions (ASBI)	76
Development Control	65
Benefit Fraud Prosecutions	53
Right to Buy	46

2.5 Together, the above areas account for just over 50 per cent of the overall spend.

2.6 Other areas of high spend to which a measure of analytical review has been applied include Committees/Democratic Representation (£43k) and Licensing (£27k).

3. Findings

3.1 Contractual Provisions

3.1.1 The current Agreement was signed up to in March 2013. A signed original Agreement document was located (duly secured and indexed) in the Document Store and a scanned copy obtained for reference. A brief read-through confirmed the formal agreement to be essentially

	unaltered from the draft submitted to Executive, subject to two items of 'fill-in' information inserted (agreement date and minimum 2013/4 budget) and a date corrected.
3.1.2	The Agreement comes across as an elaborate contract document representing a comprehensive framework for managing Shared Legal Services. In addition to typical service contract formalities, supplementary schedules provide for the scope of service, reimbursement arrangements with a scale of hourly rates linked to seniority level of respective 'fee earners', service/quality standards and a protocol for avoiding conflict of interest situations
3.1.3	<p>Particularly notable points to emerge are:</p> <ul style="list-style-type: none"> § The decision to continue Shared Legal Service arrangements came on the back of a highly favourable picture presented on the working of the Shared Legal Services to date, supported by a review report from Warwickshire County Council. § Independent legal advice referred to the arrangements as being consistent with the 'horizontal shared services co-operation model' that can be invoked under relevant procurement regulations and known forthcoming directives without going formally to the competitive market. § Charging is based on cost recovery with two main elements – County Legal staff costs at hourly rates and incidental costs incurred (or 'disbursements'). § Warwick District Council was committed in the Agreement to a budget for 2013/14 of at least £515,000 (excluding disbursements).
3.2	<u>Roles and Responsibilities</u>
3.2.1	<p>Under the Agreement, the service is managed by a designated County Council officer defined simply as 'the Manager' (the role is exercised by a named Legal Manager). For Warwick District, two distinct levels of responsibility are apparent:</p> <ul style="list-style-type: none"> § Client Officer Officers authorised to commission legal work.
3.2.2	The designation of Client Officer is to be found in the published Portfolio Holder Structure and identifies the Deputy Chief Executive who is also the Monitoring Officer.
3.2.3	<p>Under the Agreement the 'Manager' and the Client Officer are at the centre of joint review arrangements which provide for:</p> <ul style="list-style-type: none"> § discussing operational arrangements; § maintaining overview to support joint strategies for future provision; § reviewing quality of service and adherence to standards;

§ consulting on annual budget provision.

- 3.2.4 The Client Officer is the first point of contact from the County for reporting issues in respect of the Districts' performance of its obligations under the Agreement and has a joint role with a designated County Legal Manager for resolving conflict of interest situations (actual and potential).
- 3.2.5 From interpretation of the provisions on Warwick District Council's obligations, a role for the Client Officer in designating those officers authorised to commission legal work (i.e. authorise new instructions) is also implied. A copy of the authorised officers' list was furnished by the Client Officer.
- 3.2.6 All but one of the 43 officers listed were still employed at the time of the audit, the exception being the former Head of Corporate and Community Services whose departure had been quite recent. However, this left only the ICT Services Manager as the sole authorised 'commissioning' officer within that Service Area (there is significantly more delegation in the other Service Areas).
- 3.2.7 This situation was seen as having particular implications for Human Resources referrals. From a discussion with two Senior HR Officers it was confirmed that they were in the position of having to instruct County Legal in their own names, in effect circumventing the authorisation regime. This since has been addressed with additions to the authorised list approved.
- 3.2.8 The definition of what constitutes a 'new instruction' is not always clear. This is illustrated by an observation regarding Right to Buy applications which are routinely referred by a Business Administration Assistant in Housing and Property Services (who is not on the list) without any counter-signature of an authorised officer. It is likely that the referrals have operated in this way since the inception of Shared Legal Services as a continuation of the arrangements previously in force. The same Legal Officer (who had transferred under TUPE) still receives the referrals.
- 3.2.9 The question this raises is whether each Right to Buy application is regarded as a new instruction or whether a standing mandate is implied. If the latter, then this should be formalised. The matter has been discussed with the Housing Strategy and Development Manager. The question of standing mandates is also considered in the context of procedural documentation in Section 4.4.below.
- 3.2.10 Enquiries and testing generally confirmed that the authorisation regime for instructing legal work is being properly observed in all the other major areas examined.
- 3.2.11 All known documented provisions on responsibilities specific to the commissioning officers seem to concentrate on operational relationships with Shared Legal Services and are less clear on internal financial and

policy considerations. This is considered as significant in the light of the 2013/14 budget overspends and a clear case of policy breach (both discussed further in Section 4.4.).

3.3 Resource Planning

3.3.1 The Agreement provides for joint meetings between the 'Manager' and Client Officer (see 4.2.3) to consider forthcoming developments and consult on the annual budget. The Agreement specified a budget of £515,000 for 2013/14 (excluding disbursements) with future years' budgets being determined by joint review and mutual agreement. Notes from the November 2013 meeting indicates no change for 2014/15 but allude to budgetary challenges from 2015 to 2016.

3.3.2 Interestingly, the original budget for 2013/14 was set at a lower figure of £489,700 and reduced in-year to £472,000. At the time of the audit, the latest budget for 2014/15 showed as £461,200.

3.3.3 For 2013/14, the matter is academic given the actual outturn which exceeded the Agreement amount and constituted a significant budget overspend which has been reported to the Client Officer and raised at a recent joint meeting. There are still, however, implications to consider for the current and future years' budgets.

3.3.4 The circumstances have been discussed with the Client Officer and Head of Finance with further enquiries to follow. The issue is seen as highlighting the need for the budget amount agreed for each year to be clearly recorded and communicated.

Risk

The Council may be seen as not acting transparently and in good faith in respect of honouring its budget commitments under the Shared Legal Services Agreement.

Recommendation

Management should ensure that budget setting for Shared Legal Services takes due account of the Agreement commitment and that any significant variation from the sum provided for is by mutual agreement between Warwick District Council and Warwickshire County Council.

3.3.5 Resource planning has been incorporated as a discussion item in the last two joint meetings with projects and developments into 2014/15 and beyond considered, although it is not clear to what extent this has translated into budget considerations for Shared Legal Services.

3.4 Procedures

3.4.1 A User Guide was produced at the inception of Shared Legal Services in 2010 and is the only known documented procedural reference for operational matters under the Agreement. This started as a single-page guide provided by Warwickshire County Council, subsequently

	expanded into a three-page document by the former Head of Members Services.
3.4.3	While it has been confirmed that the User Guide is still in force, its status is not seen as matched by its profile and attention to updating since its first launch. The only known electronic version of the User Guide is referenced under 'Members Services' on the Intranet and a survey undertaken indicated that a large majority of authorised officers were unaware of the document's existence (23 out of 29 respondents).
3.4.4	The User Guide is seen as an important reference to ensure that authorised officers are fully aware of what is expected of them when commissioning legal work, not only in terms of observing the operational standards prescribed in the Agreement but also in exercising financial responsibility and ensuring adherence to Council policies. Findings from the examination suggest procedural failings in both areas.
3.4.5	<p>With the Shared Legal Services budget distributed among a number of service cost centres (52 in 2013/14), effective central control is substantially dependent on financial discipline being exercised by individual commissioning officers and budget managers at the outset. Analysis of the outturn against budget for 2013/14 shows evidence of failings which include:</p> <ul style="list-style-type: none"> § checks against available budget not always being made when commissioning work; § ineffective tracking of spend against budget at cost centre level resulting not only in overspends but loss of opportunity to vire from budget allocations not required.
3.4.6	In terms of policy compliance, the failing relates to security of information transmission. E-mail is clearly the most generally favoured means of exchanging information. One effect of the inception of Shared Legal Services, not universally recognised at the time or since, was that e-mail transmissions to and from Legal Services would become routed via the public network losing the relative security of internal e-mail.
3.4.7	It was (and for the moment still is) a requirement under the Council's Data Handling Policy that such e-mail transmissions containing personal and other confidential information be secured through use of 'GCSX' e-mail accounts. It has been established that personal information relating to Right to Buy applications and human resource matters, as well information for property transactions (some commercially sensitive), is or has been routinely forwarded to Shared Legal Services through insecure e-mail in breach of the Policy.
3.4.8	Conversely, in the two most sensitive areas looked at (Housing ASBIs and benefit prosecutions) the implications have been clearly recognised by management and enquiries and testing have confirmed that the Data Handling Policy requirements are observed here. In the case of

Housing, a preference has become established for direct delivery of paper documents after initial instruction in each case (by conveyance to Shire Hall or handover during face-to-face meetings). In cases observed where normal e-mail has been used, the content has been duly de-personalised.

3.4.9 It needs to be emphasised here that the Data Handling Policy is under review at the time of this report with alternatives to GCSX being considered, including rolling out of Egress cryptographic technology already adopted by the County. It is advised that Egress has been introduced in communications with Human Resources.

3.4.10 The upshot from the above issues is that a 'refresh' of the User Guide and accompanying Intranet documents is warranted as a means of raising and maintaining awareness of the proper procedures among the authorised commissioning officers and, more significantly, their responsibilities in terms of financial management and policy compliance where applicable. Also, the User Guide should detail areas where there are standing mandates are in place and how they are applied.

Risks

(1) *Legal services are commissioned inappropriately without taking due account of financial implications.*

(2) *Failure to properly manage legal work commissions lead to unexpected costs and/or breach Council policies.*

Recommendations

(1) The Shared Legal Services User Guide should be refreshed including update of content and expansion to cover (as applicable) standing mandates and internal expectations including financial responsibility and ensuring compliance with relevant Council policies.

(2) The documents accompanying the Shared Legal Services User Guide on the Intranet should be updated.

(3) The refreshed Shared Legal Services User Guide should be relocated, together with the accompanying documents, to a more appropriate and prominent Intranet site and all authorised commissioning officers notified.

(4) All newly authorised commissioning officers should be advised of the Shared Legal Services User Guide and instructed to familiarise themselves with it.

3.5 Financial Processes and Monitoring

3.5.1 The procurement is manifested in the financial system by the raising of an annual purchase order for the entire budgeted sum against a holding account code. For each new instruction, the commissioning officer is

	required to provide a cost centre code representing the service to be charged.
3.5.2	One effect of this method is that financial commitments arising from new instructions do not become manifest in the financial system until charges arising are posted in the system from the monthly bills. This heightens the importance of diligence on the part of the commissioning officers and budget managers.
3.5.3	The findings generally show the monthly billing and accounting processes to operate properly and test checks confirmed that correct payments are being made according to the supporting schedules.
3.5.4	The payments are coded to two holding accounts, one for Shared Legal Services work and the other for incidental disbursements. Recharge to the originating costs centres is by journal entry. In 2013/14 the charges were distributed among 76 cost centres.
3.5.5	This has to be done promptly after the bill is processed each month to be of maximum benefit to budget managers. A period of delays in 2013/14 was noted, but this has been addressed and transfers during the current year to date have been reasonably prompt. The Client Officer receives a monthly summary analysis from Finance support monitoring.
3.5.6	Tests and analysis performed on billing data showed that all charges conformed to the scale of hourly rates (subject to one isolated exception which was of an insignificant amount and therefore disregarded).
3.5.7	Analysis of the billing data was used to profile fee earner time inputs focusing on the major areas of spend listed in Paragraph 3.4 above. Observations arising are summarised below and considered in the light of budget overspends where applicable. Where costs are quoted, these represent the cost elements billed in the 12-month period examined and may not represent the total costs of the cases referred to.
3.5.8	<u><i>Estates</i></u> The bulk of the caseload was taken up with property transactions, mainly leases. As expected, there was a wide variation in cost totals between the cases, the most extreme ones being protracted cases including 6/8 Jury Street lease dispute (£7,303) and the dilapidations dispute with the former grounds maintenance contractor.
3.5.9	The overall expenditure identified under this heading spans several cost centres, the main one being Estate Management (2060) where the overall expenditure of £53,935 in 2013/14 represented an overspend of £20,635 against budget.
3.5.10	It was noted from the billing data that about £22,000 (42 per cent of the total charged to Estate Management) related to undefined work classified as 'general' (i.e. not ascribed to any specific properties or

projects). Other than attendance at monthly meetings, the Estates Manager was unable to provide any other explanation for charging in this way. On closer inspection, the time inputs against this classification peaked during the summer of 2013, but have since tailed off and in the most recent months shown inputs reasonably representative of one or two monthly meeting attendances.

3.5.11 In the lease and disposal cases, the typical fee earner input in each case was almost exclusively at Legal Executive level, sometimes with small elements of Legal Support Officer or Legal Assistant input. In exceptional cases where there were significant inputs from Solicitor and/or Property Team Leader level, the Estates Manager confirmed that these were justified by the nature of the cases concerned.

3.5.12 Housing ASBI

On Shared Legal Services fees and disbursements combine, the cost centre which carries the costs of ASBI cases (Tenancy Management) showed an overspend of approximately £19,000. The billing data showed two especially difficult and protracted cases which together account for about £31,000 in costs.

3.5.13 As expected, fee earner inputs are mainly at Solicitor level with small inputs at Legal Assistant/Support Officer level. Only in the two cases referred to above has there been significant input at higher than Solicitor level (in this instance Senior Solicitor/Team Leader Level).

3.5.14 Development Control

This showed only a small overspend on Shared Legal Services fees in 2013/14 and underspend on disbursements in the same year. From the billing analysis, a large proportion of the spend (£20,000) is classified as general support to the development control process with the main inputs divided almost evenly between Solicitor and Team Leader/Senior Solicitor level.

3.5.15 The spend also includes a disbursement of £12,500 for counsel fees in respect of the Kites Nest Lane gypsy encampment. Most of the rest of the spend relates to planning enforcement notices made up of a number of individual cases typically with small levels of input split fairly evenly between Solicitor and Legal Assistant/Support Officer.

3.5.16 Benefit Fraud Prosecutions

An overspend of approximately £27,000 was recorded in 2013/4 on Shared Legal Services fees and disbursements combined. In this case, no real clues as to the cause emerge from the billing analysis beyond sheer volume (58 cases identified).

3.5.17 The main inputs are at Solicitor level with Legal Assistant support. Team Leader/Senior Solicitor level inputs are small representing a measure of management overview, although there are a small number of instances where a Senior Solicitor has evidently taken on the case (these are not significant in cost terms).

- 3.5.18 Right to Buy
An overspend of approximately £10,000 was recorded in 2013/4 on Shared Legal Services fees and disbursements combined. Again, no real clues as to the cause emerge from the billing analysis beyond sheer volume (approximately 100 applications processed).
- 3.5.19 The vast bulk of the input (96 per cent) is at Legal Assistant level (usually the same officer who dealt with them internally before being transferred under TUPE).
- 3.5.20 Other Areas
Human Resources came in for attention by virtue of the difficulty referred to above in reconciling the authorised officers list with the practicalities of instructing legal work in conformity with authorisation requirements. The spend here in 2013/14 was £14,654 compared to an original budget of £4,800 (later uprated to £9,800).
- 3.5.21 From enquiries made it was established that there had been an agreement for obtaining ongoing professional management support from a Senior Solicitor during the time when the function was without both a Head of Service and HR Manager. This accounts for around £10,000 – it is debateable whether all of this actually constitutes legal fees in the strictest sense.
- 3.5.22 Turning to Committee Services, an overspend of approximately £5,500 was recorded in 2013/4 on Shared Legal Services fees and disbursements combined. Due to some split coding it was necessary to combine the Committee Services cost centre (2200) with Democratic Representation (2220) to get a more complete picture.
- 3.5.23 Beyond general committee representation, areas emerging from the billing analysis that might account for the overspend are:
- § advice on Council policy for Sexual Entertainment Venues (£3,778);
 - § two Standards investigations (£9,369).
- 3.5.24 The billing analysis indicates Legal Manager level input to Standards Committee with other committees showing a fairly even split between Solicitor and Team leader/Senior Solicitor level.
- 3.5.25 Licensing and Registration showed an outturn in 2013/14 of £18,641 against a budget of £4,100 for Shared Legal Services fees (the disbursements budget of £10,500 was only slightly overspent). The outturn shows a four-fold increase on the total for 2012/13 for reasons that are not apparent from the billing data.
- 3.5.26 A large proportion of spend on the former (£11,689) is ascribed to general support for licensing, mainly at Solicitor level with a peak of activity in evidence between September and December 2013. The remaining spend is substantially made up of individual licence appeal cases.

3.5.27 Disbursements

A brief examination of the large disbursements coming through from the billing data confirmed their validity with reference to the source invoices and showed in most cases to be covered by the budgets indicating that the service units in question had been prepared for them. The only exceptions related to benefit prosecutions and ASBIs which have been considered in further detail above.

3.5.28 Overall Observations

The above observations generally confirm that the resources deployed to the services are at professional levels appropriate to requirements and that the Council is not incurring any significant additional costs from high-level fee earners being inappropriately assigned. On budgetary control matters some possible factors for the 2013/4 overspend apparent from the billing analysis are offered, but this should not preclude further investigation by management at their discretion.

3.5.29 It is fully accepted that the legal work commissions behind the overall spend in 2013/14 could not have been avoided without serious consequences. The findings do, however, call into question whether enough is being done at service level to manage the budget distributions and whether better foresight and communication on the part of service managers might have facilitated the setting of a more realistic budget.

3.6 Performance and Improvement

3.6.1 Under the Agreement, the joint review arrangements include provision for half-yearly meetings to review quality and performance matters.

3.6.2 In practice, this has become absorbed in the quarterly meetings with 'feedback' becoming a standard item.

3.6.6 The User Guide provides for the mechanisms on feedback – namely feedback forms at case closure and periodic surveys. It is apparent that for both mechanisms, responses have been scant and the qualitative aspects are judged more on perception rather than actual measurement.

4. Conclusions

4.1 The structures and processes established are seen to be generally robust in themselves and the indications are of a high level of satisfaction on the 'client' side with the services received.

4.2 The examination has established that charges are being universally levied at the correct hourly rates and that resources are deployed at professional levels appropriate to the service requirements so not subjecting the Council to excessive costs.

4.3 However, some cracks appear in the application of the established

	structures and processes which converge to a large extent on one factor – awareness. Current guidelines on what is expected from officers commissioning legal work are not seen as sufficiently comprehensive and what guidelines there are do not appear to have been actively promoted.
4.4	This was illustrated in a survey which showed a majority of the authorised officers to be unaware even of their existence.
4.5	This is seen as at least a contributory factor in two significant areas of concern: <ul style="list-style-type: none"> § significant overspend on 2013/14 budget (and overspend currently forecast for 2014/15); § breaches of the Council’s Data Handling Policy.
4.6	An anomaly became evident when comparing the budget that the Council is setting for Shared Legal Services and the minimum annual budget sum committed to in the Agreement.
4.7	The examination has also found instances in certain quarters that the authorisation regime was being contravened, although these are being addressed within the services in question.
4.8	The overall findings are seen as giving MODERATE assurance that the key risks in respect of Shared Legal Services are effectively managed.
5	Management Action
5.1	Recommendations to address the issues raised are reproduced in the Action Plan for management response.

Corporate Properties Repair & Maintenance – 30 September 2014	
1.	Background
1.1	The council owns and maintains a number of operational and non-operational properties.
1.2	The operational properties are those that are used on a day-to-day basis, including Riverside House, the leisure centres, buildings at the cemeteries and crematorium etc.
1.3	The non-operational buildings are leased out to companies. The tenants will be responsible for certain aspects of the repair and maintenance of these properties.

2. Scope and Objectives of the Audit

2.1 The audit was undertaken to test the management and financial controls in place.

2.2 In terms of scope, the audit covered the following areas:

- Planning and programming
- Leased properties
- Procurement
- Budget monitoring and reporting
- Risk management.

2.3 The audit programme identified the expected controls. The control objectives examined were:

- All council owned properties are maintained appropriately.
- Management and Members are aware of the works that are to be undertaken.
- Maintenance jobs are appropriately undertaken.
- The council does not pay for works that are the responsibility of the tenants.
- Leased properties are maintained appropriately.
- Value for money is achieved through the procurement process for corporate property maintenance and repairs.
- Management and Members are aware of any material budget variations.
- Management are aware of the risks associated with the holding of corporate properties.

3. Findings

3.1 Planning & Programming

3.1.1 The main asset register is maintained by the Principal Accountant (Capital & Treasury) on the Logotech system, although this details all assets (including artworks etc.). All property assets are also included on the Active H system.

3.1.2 The latest stock condition survey of corporate properties was undertaken in 2012 by E C Harris. This was a detailed review of 32 corporate properties, covering the leisure centres and sports pavilions, the crematorium and cemeteries, toilets and other assets such as the Town Hall, the Pump Rooms and Spa Centre.

3.1.3 The survey comprises a main summary spreadsheet and a series of linked spreadsheets, with each individual property having its own detailed spreadsheet. These individual spreadsheets break down the maintenance required into different elements.

- 3.1.4 A separate survey was performed for non-operational properties (those that are leased out). This was undertaken in-house, with a similar structure being used to identify works required over a thirty year period.
- 3.1.5 It was noted that Riverside House had not been included in the surveys performed. The Asset Manager (AM) advised that only emergency repairs were currently being performed until the situation regarding the future headquarters of the council was decided, and the general condition of the current HQ was, therefore, not important.
- 3.1.6 Reviews of the future of the assets held by the council have also been undertaken to identify how the future costs of operating the portfolio can be addressed, with the reports referencing the 'study' undertaken by E C Harris.
- 3.1.7 An extract is taken from the survey spreadsheets of all the works that are due to take place in the year. Meetings are then held with building managers and / or service heads to look over the building and to check whether there are any other priorities.
- 3.1.8 The Strategic Asset Management Group (SAG) then review the draft programme to balance it against the available budget where appropriate and it will then be passed to Executive for approval (see below).
- 3.1.9 A report was presented to Executive on 12 March 2014 detailing the proposed Corporate Property Repairs & Improvements Programme for 2014/15. This was formally approved by Executive.
- 3.1.10 A spreadsheet is being maintained by the Building Surveying & Construction Manager (BSCM) to monitor progress against the agreed programme (excluding mechanical and electrical jobs (M&E)) and, upon review, it was noted that a number of jobs that were included had either already been undertaken (prior to the current financial year) or were not considered to be needed.
- 3.1.11 The AM advised that the report was produced at a point in time and priorities may have changed leading to the early completion of certain jobs. He also suggested that completed works and jobs not needed should have possibly been identified by the building managers prior to the agreement of the programme during the discussions held, but indicated that new building managers may not be aware of what had already been done.
- 3.1.12 The Energy Manager advised that a similar process had been followed for the M&E programme, with similar issues being identified (i.e. some works already completed and others not felt to be needed).
- 3.1.13 The AM also advised that an Asset Maintenance Group (AMG) is to be established, which would be an operational group of surveyors and building managers. This group would be able to assess in-year priorities and monitor budgets and he suggested that this would enable the managers to be 'educated', enabling them to better challenge what was

on the programmes, although this group is not yet up and running.

- 3.1.14 A sample of jobs, due to have taken place in the current year was taken from the stock condition spreadsheets to ascertain whether they had been included in the current year plan. Of the 25 scheduled jobs, 24 were found to be included in the agreed programme.
- 3.1.15 The AM advised that a view would have been taken that the works were not actually required, challenging the assumption of E C Harris's survey, although this could not be evidenced.
- 3.1.16 The BSCM advised that the majority of the (non M&E) works would be placed with Pinner & Sons Ltd under the main corporate repairs contract that had been let last year. The agreed programme would be discussed with them and orders would subsequently be placed.
- 3.1.17 For some of the larger jobs on the programme, specific quotes would be obtained from them, but the smaller jobs would come under the schedule of rates (SOR).
- 3.1.18 Other contractors may be used for relevant works where contracts are in place. There are also works included on the programme for the Oakley Woods crematorium. As a large project is underway there already, the contractors on site will undertake these jobs as part of the project.
- 3.1.19 The latest version of the programme spreadsheet included details of orders that have already been placed. Testing was undertaken on these which confirmed that all jobs had been placed with Pinner's under the main corporate repairs contract, with some being undertaken under the SOR and some being based on quotes that they had been asked to produce.
- 3.1.20 It was noted that some records on Active H suggested that quotes had been received. However, when these were requested, H&PS staff advised that, in some cases, the works had been undertaken under the SOR.
- 3.1.21 The BSCM advised that these were genuinely undertaken under the SOR, but where initial costs are unknown the jobs would have been recorded under the SOR code 'CPQUOTE' in order for a commitment to be raised. The exact costs would then be entered at the end of the job. However, he also recognised that some jobs that had been performed under the SOR should possibly have had quotes submitted.
- 3.1.22 He advised that there used to be a specific threshold, above which, a quote should have been requested. He suggested that he would reconsider this for future jobs.
- 3.1.23 Where responsive repairs are required, a call will be received from staff at the relevant building or a manager. Pinner's, or another relevant contractor will then be contacted to either submit a quote or undertake the job based on the schedule of rates in line with the programmed

works. The job will also be recorded on MIS (see section 4.3 for details of procurement testing undertaken).

3.2 Leased Properties

- 3.2.1 The Estates Manager (EM) advised that there are various different forms of lease, with some requiring the tenant to undertake internal works, some requiring external works and some requiring both.
- 3.2.2 Both the EM and AM had suggested that the current leases needed reviewing, as some were not considered appropriate for the types of tenants in the properties. These reviews would be conducted when the leases next came up for renewal.
- 4.2.3 Some works on leased properties will be undertaken by the council as a result of the preventative planned maintenance (PPM) works that were identified during the condition surveys.
- 3.2.4 Reviews of the contents of the leases were performed as part of the stock condition surveys, with the spreadsheets detailing the relevant responsibilities of each party. The spreadsheet detailing the required works is colour coded, with the rows containing the jobs that are the tenants' responsibility being coloured red.
- 3.2.5 A sample of leased properties was chosen from the PPM spreadsheet and a review was performed to ensure that leases were held which detailed these responsibilities and that these had been signed as appropriate. Leases were found to be in place in all relevant instances, with relevant responsibilities being detailed. All copies provided had been signed by the tenants, although some copies provided did not bear a council signature. However, this was not considered to be an issue.
- 3.2.6 The EM advised that he is generally the first point of contact for the tenants if they require works to be undertaken. However, he suggested that some works may be reported via the housing repairs line.
- 3.2.7 He advised that he would check to ensure that the works requested were the council's responsibility and suggested that the Surveyors would also query works with him if they were unsure as to who was liable.
- 3.2.8 As part of the testing undertaken above, a review of Active H was performed for the sampled properties to identify works that had been performed. Testing was undertaken on these jobs to ascertain whether they were the responsibility of the tenant or the council.
- 3.2.9 Only seven jobs were found to have been undertaken during the current calendar year across the ten sampled properties and six of these were confirmed to be the council's responsibility as appropriate. The other job fell into something of a grey area and the BSCM confirmed that he was aware of the job and was not happy with the way it had been handled. Internal Audit were already aware that discussions had been held regarding the liability issues for the works that had been

undertaken.

4.2.10 The EM advised that there used to be a formal programme of visits to leased properties to ensure that the tenants were undertaking their maintenance liabilities. These used to be undertaken by an agent twice a year. However, due to resource issues these were initially reduced to annual visits and now they do not happen.

3.2.11 He advised, however, that all properties would be visited if the lease was terminated and any dilapidations would be expected to be remedied by the outgoing tenant.

3.2.12 A sample property (24 Hamilton Terrace) was identified by the EM to evidence this process. The Senior Building Surveyor advised that an original schedule of dilapidations had been put together. The tenants had subsequently undertaken some of the work, but it was of a poor standard and some works were missed, so a revised schedule has been prepared and this is being negotiated.

3.3 Procurement

3.3.1 The main contract for corporate repairs and maintenance was awarded to Pinner & Sons Ltd in February 2013 for 2013/14 onwards.

3.3.2 The award of this contract was reviewed as part of the investigation into the contracts awarded by Housing & Property Services which was undertaken by Contract Audit Line (CAL) in November 2013. No issues were raised regarding the awarding of this contract in the review performed.

3.3.3 Upon review of the programmed works performed to date (see above) it was confirmed that all of these jobs had been performed by Pinner. Whilst reviewing these jobs on Active H a number of other, non-programmed jobs undertaken at the properties were identified and some of these had been undertaken by other companies. A review was undertaken, therefore, to ascertain if these jobs were performed under another contract or whether other procurement exercises had been undertaken.

3.3.4 A number of the companies had appropriate contracts in place, as per the current contract register provided by the Procurement Manager. However, no contracts were in place for some of the works undertaken and others jobs were placed with contracted companies but the works undertaken did not fall under those contracts:

- Work undertaken by Baydale at the Town Hall to repair the door entry system. Baydale have a contract for the maintenance of the HRA door entry & fire alarm systems to WDC housing properties. The BSCM advised that this job had been cleared with the Procurement Manager and these works will be addressed with a new contract being set up.
- Removal of kitchen equipment was undertaken at the Spa Centre

by D&K Heating Services Ltd. They have a contract for gas servicing at council housing and the corporate air conditioning services but these contracts would not cover the works performed. The BSCM advised that Pinners were meant to have undertaken these works, but it was deemed safer to get D&K to undertake it for gas safety reasons and the need to get the work done quickly. However, Internal Audit believe that these works should have been placed with Pinners as they hold the relevant contract.

- Door entry repair works were undertaken at Castle Farm Recreation Centre by Dorma UK Ltd. The BSCM suggested that this is probably a legacy issue, with Dorma having always been used. He acknowledged that this procurement issue needs to be addressed.
- Three orders had been placed with the Electric Centre regarding the supply of electrical sundries at St Nicholas' Park Leisure Centre (SNPLC). The Energy Manager advised that this 'counter service' was used by Warwick Plant Maintenance staff for small sundry items. However, it is felt that work should be undertaken to formalise this agreement or consideration could be given to the use of a procurement card.
- A number of jobs had been placed with Ian Williams Ltd for works at the Aviary Cafe, the Town Hall and SNPLC. Ian Williams hold a contract for general housing repairs and voids and decorations, but these did not cover the works performed. The BSCM suggested that these were 'out of hours' calls, and suggested that Pinners are not able to cover these. However, this out of hours issue needs to be formalised as it is considered that Pinners should be performing these works under the contract they hold.
- Orders have been placed with Poolcare Leisure Ltd for the supply of chlorination sundries at SNPLC. The Procurement Manager confirmed that she was aware of this issue, advising that they were the only company able to provide the correct chemicals. Attempts were being made to formalise this contract.
- Four jobs had been undertaken at SNPLC by Ser-Tec Systems Ltd relating to repairs to BMS and AHU controls. The Energy Manager suggested that they were the only company able to undertake these works. A lot was originally going to be included in the major contracts exercise in relation to these works, but this was removed due to the unique supplier position. No contract, however, was in place. A review of orders placed with the company on Active-H confirmed orders to the value of over £25,000 had been placed with them since 1 January 2013 and it considered that a formal contract should be placed with them, with a review of the procurement options also being undertaken.
- Time In Hand had undertaken one job at the Town Hall to repair the bell hammer. The BSCM suggested that ad-hoc jobs were raised for works to the Town Hall and Kenilworth clocks with individual, low value quotes being received.

Risks

Value for money is not obtained.

Contractors holding relevant contracts may challenge the Council over use of other companies for works that they are contracted to perform.

Recommendations

- a) **A procurement exercise needs to be undertaken regarding door entry works at corporate properties covering the works currently being undertaken by Baydale and Dorma.**
- b) **All works covered by the Corporate Repairs contract should be placed with Pinner & Sons Ltd.**
- c) **The out-of-hours situation should be investigated to ascertain if Pinner can provide this service. If not, procurement options should be investigated.**
- d) **The use of the Electric Centre by Warwick Plant Maintenance staff should be formalised or consideration should be given to the use of a procurement card if appropriate.**
- e) **The procurement options around the use of Ser-Tec Systems Ltd should be investigated, with a formal contract being put in place if no other suppliers are able to provide the service.**

The procurement team should be consulted about these recommendations as appropriate.

3.3.5 The procurement exercises in relation to the contracts recorded on the contract register were not reviewed, as some had already been covered under the investigation detailed above, and others had been let as part of the same major contract re-let as those investigated.

3.3.6 Others had been let a number of years ago, so it was not felt relevant to look at these as part of this audit and there is potential for some of these to be covered by CAL in a further proposed review.

3.4 Budget Monitoring & Reporting

3.4.1 The Principal Accountant (Housing) (PAH) gave an overview of the budget set-up. In general terms, he highlighted that the budget coding structure makes sense, with numerous subjective codes being set for the responsive and cyclical works against the different contracts / areas of work. These will also be spread against the different cost centre codes, with budgets being set per building. Individual projects will also be separately identified, with the budget for the year being placed in a holding code (W000) until the individual jobs are set up on TOTAL.

3.4.2 He suggested that these budgets had just been rolled forward, and no specific reviews had been undertaken to ascertain whether these splits between buildings were still correct.

3.4.3 However, he felt that in general terms, the budgets were not well monitored, as no one owns them as such. The responsive elements are also hard to control as if work is required it is ordered.

3.4.4 He highlighted that, historically, there have been problems with overspends, although he suggested that this may have been due, in part, to project works not being separately identified.

- 3.4.5 He advised that there had not been a formal budget review meeting at the time of the audit review, although there had been a general overview meeting with the BSCM.
- 3.4.6 Part of the issue had been that staff within both Finance and Housing & Property Services (H&PS) had changed, with different Assistant Accountants being responsible for Housing within Finance and the BSCM only having recently taken on the role.
- 3.4.7 The PAH also suggested that the coding of works actually ordered / performed would have an effect on the budget, as he was aware that some cyclical works were being picked up as part of responsive jobs and vice versa, with the costs not being split accordingly. However, there was often a 'bottom line' approach in that, as long as the total was ok, the exact split was not as important.
- 3.4.8 The AM advised that budget monitoring had been an issue, but a meeting was planned with the PAH to try to sort out a logical way of monitoring the budgets going forward. Part of the issue was that some of the commitments are shown on Active H as opposed to TOTAL. The aim will be for quarterly budget monitoring reports to be passed to SAG, with the new Asset Maintenance Group having a role in monitoring spend.
- 3.4.9 In terms of the current position, it was noted that the planned works were at the early stages and the BSCM's spreadsheet (see 4.1.10 above) highlighted the variances against the individual elements of the plan.
- 3.4.10 No specific review was performed relating to the current position of the responsive budgets, as works are undertaken as required, so variances are inevitable.
- 3.4.11 The AM advised that there were no plans for update reports to members, although the budget position would be covered in the general finance reports that they receive.
- 3.4.12 However, despite the planned maintenance programme including some elements that were no longer required, no variance had been reported thus far. (NB Members have only received the report for the first quarter to date).
- 3.4.13 The AM also suggested that, if required, some works could be brought forward to use this surplus, or the unspent monies could be placed into the reserves.
- 3.4.14 In terms of altering the programme, he advised that there was no requirement to get this agreed by Executive, as they had agreed to delegate these powers to officers and the relevant portfolio holders.

3.5 Risk Management

- 3.5.1 Asset management risks are included in the Significant Business Risk Register (SBRR). This covers all council-owned property, including corporate assets. The SBRR is regularly reviewed, with reports going to both SMT and Executive.
- 3.5.2 The H&PS risk register also includes asset-related risks, again covering both housing and corporate properties under the same risks in terms of maintenance etc. This was presented to Finance & Audit Scrutiny Committee for review and comment in April 2013.
- 3.5.3 The AM advised that, in the absence of a head of service for H&PS, he was unaware of whether the document had been reviewed since, although suggested that the Strategic Asset Group (SAG) may have reviewed it.
- 3.5.4 The Economic Development & Regeneration Manager advised that the H&PS risk register isn't generally reviewed at SAG, but the Estates Management one is, which includes risks related to the non-operational properties.
- 3.5.5 He also suggested that a general risk register is to be put together for SAG related risks, although this has not yet been undertaken. The minutes from the March 2014 SAG meeting suggest that this would be developed in line with the Asset Management Plan.

4. Summary & Conclusion

- 4.1 Following our review, we are able to give a **MODERATE** degree of assurance that the systems and controls in place in respect of Corporate Properties Repair & Maintenance are appropriate and are working effectively.
- 4.2 A number of issues were identified relating to the placing of contracted works with other companies and some works being undertaken that were not covered by contracts.
- 4.3 Some other points were noted where no recommendations were considered relevant, as plans are already in place to address the issues identified.

5 Management Action

- 5.1 Recommendations to address the issues raised are reproduced in the Action Plan for management response.

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 3 2013/14

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Financial Planning and Budgetary Control – 21 November 2013		
The Code of Financial Practice provisions should be revised to remove any ambiguities concerning the definition of virements and the circumstances where Member approval is required.	<p><i>Head of Finance:</i></p> <p>The Financial Code of Practice will (most likely) next be revised in 2014, after next year's Budgets have been finalised. As the recommendation relates to an "ambiguity" rather than a material monetary risk to the Council, it is proposed to incorporate this amendment then.</p> <p>Spring 2014.</p>	Priority is currently being given to updating the Code of Procurement Practice. The CoFP update should follow this in 2015.


RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Climate Change – 31 December 2013		
The climate change entry in the Significant Business Risk Register should be updated with reference to 'Climate Change Strategy' removed and the likelihood rating re-evaluated.	<p><i>Senior Management Team:</i></p> <p>The lack of a strategic programme represents a failure to meet policy objectives but does not in itself constitute a serious business risk.</p> <p>Service Areas have Adaptation Action plans and actual risks from climate change (such as flooding) are addressed in Business Continuity and Emergency Plans.</p> <p>It is correct to highlight that SMT needs to review what needs to be entered into the Significant Business Risk Register.</p> <p>No target implementation date given.</p>	<p>The SBRR has been revised to take account of this.</p> <p>The strategic approach is being developed – see below.</p>
A corporate strategic management programme should be developed based on a 'climate ready' vision to be achieved by a specified point in time.	<p><i>Head of Health and Community Protection:</i></p> <p>The Sustainability Officer was tasked with bringing a report to Executive in Feb 2014 on a Climate Change Strategy. With this post being vacant this will not now be possible, within the timescale. When a new person is appointed a target date for refreshing the strategy and reporting it to Executive will be agreed.</p> <p>Status to be reviewed in March 2014.</p>	<p>The new Sustainability Officer has been in post since the end of April 2014.</p> <p>A report on the strategic approach is in the Executive Forward Plan for Feb 2015. A briefing report is being brought to SMT on 5th November.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Management should consider signing up to Climate Local.	<i>Head of Health and Community Protection:</i> Climate Local provides a good background for a strategic approach. A review of this and whether to recommend its adoption by the Council will be conducted when the new Sustainability Officer is appointed. Status to be reviewed in March 2014.	This is being reviewed within the overall corporate strategic approach.
The status of local partnership frameworks that can support the Council in its climate change programme should be investigated.	<i>Head of Health and Community Protection:</i> A review of this will be conducted when the new Sustainability Officer is appointed. Status to be reviewed in March 2014.	In progress within the overall strategic approach.
Recruitment and Selection, Terms and Conditions – 22 November 2013		
Relevant policy documents should be reviewed to ensure that they are still accurate, with a review of electronic links being performed to ensure that they point to the correct documents.	<i>Senior HR Officer(s):</i> Agreed. However, this is a low priority for HR at the moment, pending the recruitment of a new HR/OD Manager. Following HR/OD Manager appointment.	Completed. As part of an ongoing policy review.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
An appropriately trained member of staff should be part of each interview panel.	<i>Senior HR Officer(s):</i> Agreed. A log is maintained of staff that have received recruitment training. This will be double-checked to ensure that staff have attended the training before being allowed to undertake interviews. Immediate effect.	1 day training is provided regularly throughout the year for new managers with the organisation and as a refresher for existing managers. We have a log of managers who have been trained, for those who haven't a member of HR will support.
Relevant staff should be reminded of the need to ensure that accurate information is presented in reports to Members, with HR being added as a consultee as appropriate to ensure that the post details accurately reflect what is shown on the establishment.	<i>Senior HR Officer(s):</i> Agreed. HR staff will aim to ensure that they see all relevant draft Employment Committee reports before they are finalised so that post numbers are titles can be checked. Immediate effect.	HR recommend and work with Managers for any amendments/additions to posts and attend Employment Committee to ensure any support on narrative and rationale where required.
Corporate Health and Safety – 6 December 2013		
Periodic payslip reminders to employees on the requirement to hold car insurance with business travel cover should be reintroduced and made suitably prominent.	<i>Head of Health and Community Protection / Safety Adviser:</i> H&S Advisor to contact Finance and HR regarding this issue. January 2014.	Done.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
In accordance with the Health and Safety Policy Section 5.10 Paragraph 4.5, individual checks on employees' driving licence, MOT and insurance documentation should be instituted with particular emphasis on those claiming high mileage amounts.	<i>Senior Management Team:</i> No response.	Reminders to be issued with Payslips on an annual basis. Random checks on licences to be implemented. Needs further discussion at SMT to ensure implementation.
Consultations should be instituted with a view to factoring health and safety matters into general Member training and to identify and address any specialist needs for Employment Committee as part of the programme to be implemented for the new Council in 2015.	<i>Democratic Services Manager / Safety Adviser:</i> Induction presentation available (DSM to arrange). DSM advised that Members / Trade Unions Joint Consultation & Safety Panel also needs to be covered. Following 2015 Council elections.	Induction session is available. Also obtained example training from external provider. To be completed following 2015 elections – training provider being sourced.
The format of the annual report should be reviewed with consideration given to emphasising the effectiveness of the management system based on performance against clear goals.	<i>Head of Health and Community Protection / Safety Adviser:</i> To be considered as part of formulation of the 2013/14 Annual Report. September 2014.	Completed.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Management of the Virtualised Server Environment – 16 December 2013		
The current assignment of user accounts to the Administrator vCenter server/ESXi role should be reviewed and revised as necessary to ensure that only those accounts with a genuine operational need are assigned with full administrative privileges for the vSphere environment.	<i>Andy Walsh, Database Administrator:</i> Undertake review as per recommendation. 31 st March 2014.	Action Complete: Local administrators have been removed from vCenter admins group and only explicitly defined Administrators with genuine operational need now have access to vCenter.
The current configuration of the Alarms facility within vCenter server should be reviewed to ensure that all key events that may adversely affect users result in a trigger being invoked and notifications being issued by email to the VMWare administration staff.	<i>Andy Walsh, Database Administrator:</i> Undertake review as per recommendation. 31 st March 2014.	Action Complete: vCenter alarms will now be checked twice a day as part of the Weekly Backup procedure. Some key alarms have now been updated to send emails to the Infrastructure team, new alarms that require an email to the infrastructure team will be added as required.

 Finance & Audit Scrutiny Committee - 2 December 2014		Agenda Item No. 7
Title	Comments from the Executive	
For further information about this report please contact	Graham Leach Democratic Services Manager & Deputy Monitoring Officer 01926 456114 committee@warwickdc.gov.uk	
Service Area	Civic & Committee Services	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive		
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		
Portfolio Holders		

Consultation Undertaken	
N/A	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. Summary

- 1.1 This report summarises the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 5 November 2014.

2. Recommendation

- 2.1 That the responses made by the Executive be noted.

3. Reasons for the Recommendation

- 3.1 This report is produced to create a dialogue between the Executive and the Finance & Audit Scrutiny Committee, ensuring that the Scrutiny Committee is formally made aware of the Executive's responses.

4. Alternative Options Considered

- 4.1 The Committee receives and notes the minutes of the Executive instead.

5. Budgetary Framework

- 5.1 There is no impact on the budgetary framework. This is for the Committee's information only.

6. Policy Framework

- 6.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

7. Background

- 7.1 As part of the scrutiny process, the Committee no longer considers the whole of the Executive agenda.
- 7.2 Councillors are emailed at the time of the publication of the Executive and Scrutiny Committee agendas, asking them to contact Committee Services by 9.00 am on the day of the Scrutiny Committee, to advise which Executive items they wish the Scrutiny Committee to pass comment on and the reasons why.
- 7.3 As a result, at its meeting on 4 November 2014, the Finance & Audit Scrutiny Committee considered the items detailed in the appendices. The responses which the Executive gave are also shown.

Responses from the meeting of the Executive held on 1 October 2014 to the Finance and Audit Scrutiny Committee's comments

Item no	4	Title	Sports & Leisure Options
Scrutiny Comment		The Finance and Audit Committee was in agreement that it is extremely important that this work is carried out so that members are in possession of all the facts when the final decision on options for this service is made next year. The committee fully supported the recommendations in the report.	
Executive Response		Councillor Mrs Gallagher thanked the scrutiny committee for their support and was pleased that Members had clearly read all the papers prior to scrutiny and felt this was largely down to the effective communication by officers.	

Item no	5	Title	Budget Review to 30 September 2014
Scrutiny Comment		The Finance & Audit Scrutiny Committee was content with the report but it did have concerns about the above budget spend on Legal Services and asked that the Executive look closely at this matter.	
Executive Response		<p>Officers advised that the Council had a service level agreement with Legal Services and had to estimate how many hours of legal advice would be needed. At present, officers were re-aligning the budgets because departments were reaching the higher level of hours outlined in the agreement. In addition, Managers were mindful of the need to try to keep costs down, where possible.</p> <p>The Portfolio Holder for Finance, Councillor Cross, agreed to look into the issue of high legal costs.</p>	

Item no	6	Title	Bishop's Tachbrook Community Centre
Scrutiny Comment		<p>The Finance and Audit Committee do support the aspirations for a community centre to be built in Bishop's Tachbrook. However, there were significant concerns about the consequences of this request as laid out before the Executive. The amount of funding that that the Council is being asked to approve today, albeit with some constraints as outlined within the recommendations, the committee felt very strongly that the Executive do not approve this request this evening.</p> <p>The Finance & Audit Committee therefore made the following recommendations to the Executive:</p> <p>(1) Before any funding is considered for approval a robust and viable business case should be in place and submitted to the District Council</p> <p>(2) That a representative of this council should be appointed to the board for the St Chads Centre to enable input as the key financial</p>	

	<p>supporter of this scheme;</p> <p>(3) A robust and effective process must be in place for assessing how such schemes are assessed and determined before any application is considered.</p>
Executive Response	<p>The Executive did not support the recommendations put forward by the Finance and Audit Scrutiny Committee because Members felt that the concerns regarding the lack of a business case were covered by recommendations 2.2.6 and 2.3 and the risks were also covered in section 6 of the report. In addition, the Chief Executive advised that a business case had been submitted but it was not necessarily in the correct format and needed to be presented better.</p> <p>Members did, however, think that the words 'robust and viable' could be added to recommendation 2.2.6 to strengthen the request.</p> <p>In addition, it was not felt that it would be productive to appoint a Member to the board because the St Chad's Trust would be held to account as a registered charity. It could also lead to a conflict of interest for the Member appointed, if the Trust made a further bid at a later date. Members agreed that insisting on a Member representative would not create as much strength as the governance arrangements regarding the type and length of any lease issued to the board.</p>


Item no	7	Title	Procurement Action Plan Update
Scrutiny Comment			<p>There were concerns from the Finance and Audit Scrutiny Committee about how far procurement had been improved within the Council since it was first raised as a concern over 6 years ago. For this reason the Scrutiny Committee asked for the Executive and the Committee to be notified of the agreed actions, regarding procurement, from the SMT away day. The Scrutiny Committee also asked the Executive to consider the Procurement Team resources and if these are sufficient considering the demands placed upon the team in terms of the need for improved procurement within the Council. This potential need for greater resources must be defined by February 2015 to enable any bid to be included budget setting process for 2015/16.</p>
Executive Response			<p>The Executive accepted the comments made by the Finance and Audit Scrutiny Committee and noted that a six month wait for a further report would take them to May 2015. The Portfolio Holder for Finance, therefore, proposed that a report be submitted in March 2015, prior to the elections in May.</p> <p>It was also noted that the agreed actions arising from the SMT away day would be circulated.</p>

Item no	8	Title	Future Use of the Warwick Limited Liability Partnership
Scrutiny Comment			<p>The Finance and Audit Committee supported the recommendations in the report.</p>

Executive Response	The Executive thanked the scrutiny committee for their support.
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Item no	9	Title	Prosperity Agenda
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	The Executive thanked the scrutiny committee for their support.		

Item no	10	Title	Use of Delegate powers – CSW Broadband
Scrutiny Comment	The Finance & Audit Scrutiny Committee felt that the Executive should be content on why such a large amount of funding is required for such a low (6,000) number of properties.		
Executive Response	The Executive assured Members that they were content with the values and figures provided in the report and proposed the recommendations as written.		

 Finance & Audit Scrutiny Committee - 2 December 2014		Agenda Item No. 8
Title	Review of the Work Programme & Forward Plan	
For further information about this report please contact	Graham Leach Democratic Services Manager 01926 456114 or committee@warwickdc.gov.uk	
Wards of the District directly affected	n/a	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	n/a	
Background Papers	n/a	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	n/a
Equality & Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer		
Monitoring Officer		
Finance		
Portfolio Holder(s)		
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report informs the Committee of its work programme for 2014/15 (Appendix 1), the current Forward Plan (Appendix 2) and seeks consideration of the Council's Partnerships (Appendix 3).

2. Recommendation

- 2.1 Members consider the work programme and agree any changes as appropriate.
- 2.2 The Committee to; identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and to nominate a Member to investigate that future decision and report back to the Committee.
- 2.3 The Committee determines which Partnerships, detailed at Appendix 3, if any, it wishes to look at in further detail.

3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 If the Committee has an interest in a future decision to be made by the Executive it is within the Committee's remit to feed into the process.
- 3.3 The Forward Plan is the Executive's future work programme. If any non-Executive Member or Members highlight items which are to be taken by the Executive which they would like to be involved in, those Members can then provide useful background to the Committee when the report is submitted to the Executive and when the Committee passes comment on it.
- 3.4 At the last meeting of the Committee it was requested that further details be provided on the Council's partnerships prior to the Committee considering which, if any, they would like to look at in greater detail.

4. Policy Framework

- 4.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

5. Budgetary Framework

- 5.1 All work for the Committee has to be carried out within existing resources. Therefore, there is a limit to the time available that officers will have to assist Members, so the Committee may wish to prioritise areas of investigation.

6. Risks

- 6.1 This Committee contributes to the effective minimisation of risk by fulfilling its duties in a timely manner and scrutinising the work undertaken by the Executive.

7. Alternative Option(s) Considered

- 7.1 The only alternative option is not to undertake this aspect of the overview and scrutiny function.

8. Background

- 8.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 8.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 8.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve month period to give a clearer picture of how and when the Council will be making important decisions.
- 8.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 8.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 8.6 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan. The Committee may wish to give greater consideration to the reports in Section 2 of Appendix 1, to maximise the time available for Members to input into the process.

Finance and Audit Scrutiny Committee Work Programme 2014/15

2 December 2014

Audit Items

1	Annual Audit Letter	Report	Mike Snow	Annual report
2	Treasury Management Activity Report 2014/15	Report	Roger Wyton	1 st Half Year Biannual report
3	Internal Audit Quarterly Report – Quarter 2 2014/15	Report	Richard Barr	Quarterly report

13 January 2015

Audit Items

1	2014/15 Audit Opinion Plan	Report	Mike Snow / EA	Annual report
2	External Audit Certification of Claims and Returns	Report	Mike Snow	External Audit Annual report

Scrutiny Items

3	Chief Executives Office - Risk Register Review	Report	Richard Barr	Approved Executive 11.01.12 minute 115
4	Procurement Biannual Report	Report	Susan Simmonds	Biannual report
5	Bowls - Review	Report	Joe Baconnet	F&A minutes 23 & 27 (1 July 2014)
6	Housing Business Plan Performance Management	Report	Abigail Hay	Biannual report

10 February 2015

Scrutiny items

1	Contract Register – Cultural Services	Report	Mike Snow	
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10 March 2015

Audit Items

1	Internal Audit Strategic Plan 2015/16 – 2017/18 and Internal Audit Charter	Report	Richard Barr	Annual report
2	Internal Audit Quarterly Report Quarter 3 2014/15	Report	Richard Barr	Quarterly report
3	Auditing Standards	Report	Mike Snow	Annual report

No scheduled scrutiny items

8 April 2015

Audit Items

1	Housing & Property Services Risk Register Review	Report	Richard Barr	Approved Executive 11.01.12 minute 115
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Scrutiny Items

2	End of Term Report	Report	Peter Dixon / Chair	Annual report
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To be arranged

Contract register reviews to be considered alongside Service Risk Registers. Chairman and officers to discuss format – agreed 25 March 2014 (minute 174) / 7 May 2014 (minute 197)

Presentation on Disabled Adaptations – agreed 11 December 2012 (minute 97, Executive item 5)

Contracts Registers Reviews 2015/16 & 2016/17

June 2015 – Development Services

August 2015 - Neighbourhood Services

November 2015 - Finance

February 2016 - Chief Executives

June 2016 - Health & Community Protection

Service Risk Register Reviews 2015/16

July 2015 – Cultural Services

October 2015 – Development Services



FORWARD PLAN

Forward Plan December 2014 to April 2015

COUNCILLOR ANDREW MOBBS

LEADER OF THE EXECUTIVE

The Forward Plan is a list of all the Key Decisions which will be taken by the Executive or its Committees in the next four months. The Warwick District Council definition of a key decision is: - a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

Whilst the majority of the Executive's business at the meetings listed in this Forward Plan will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is formal notice under the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 that part of the Executive meeting listed in this Forward Plan will be held in private. This is because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those items which are proposed to be considered in private are marked as such along with the reason for the exclusion in the list below.

If you would like to make representations or comments on any of the topics listed below, including the confidentiality of any document, you can write to the contact officer, as shown below, at Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ. Alternatively you can phone the contact officer on (01926) 353362. If your comments are to be referred to in the report to the Executive or Committee they will need to be with the officer 7 working days before the publication of the agenda. You can, however, make comments or representations up to the date of the meeting, which will be reported orally at the meeting. The Forward Plan will be updated monthly and you should check to see the progress of the report you are interested in.

Section 1 – The Forward Plan December 2014 to April 2015

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
December 2014						
General Fund Budgets 2015 - 2016 (Ref 586)	To consider the following year revenue budgets for the general fund		Executive 3 December 2014	24 November 2014	Marcus Miskinis Cllr Mobbs	
Housing Revenue Account Budgets 2015-2016 (Ref 590)	To consider the following year revenue budgets for the Housing Revenue Account		Executive 3 December 2014	24 November 2014	Mark Smith Cllr Mobbs	
Climate Change/ Sustainability (Ref 617)	To seek agreement for the strategic approach to climate/sustainability		Executive 3 December 2014	24 November 2014	Susan Smith Cllr Coker	
Member Code of Conduct Review (Ref 593/a)	To consider revisions to the Council's Member Code of Conduct and associated papers		Executive 3 December 2014	24 November 2014	Graham Leach Cllr Mobbs	Written correspondence Asking for their views
Council Procedure Rules (Ref 594)	To consider revisions to the Council procedure rules from the Constitution Working Party (Moved from July 2014 Reason 3)		Executive 3 December 2014	22 August 2014	Graham Leach Cllr Mobbs	

Options for Payroll Service (Ref 645)			Executive 3 December 2014	24 November 2014	Chris Burrows Cllr Cross	
W2 Revised Agreement (Ref 646)			Executive 3 December 2014	24 November 2014	Andrew Thompson Cllr Vincett	
Riverside House Relocation Project Update (Ref 647)	To update members on a potential short list of relocation site options		Executive 3 December 2014	24 November 2014	Duncan Elliott/Bill Hunt Cllrs. Mobbs and Hammon	
Options for the future use of the Royal Pump Rooms and surrounding area (Ref 648)	To feedback on the outcome of the soft market testing of options for the Royal Pump Rooms		Executive 3 December 2014	24 November 2014	Duncan Elliott/Bill Hunt Cllr Hammon	
Review of Affordable Rent policy (Ref 650)			Executive 3 December 2014	24 November 2014	Ken Bruno Cllr Vincett	Housing Strategy 2014-17
Service Area Plan/FFF 6 Monthly Update (Ref 640)	A review of progress made over the last 6 months on the FFF programme of work Moved from November – Reason 3 - Waiting for further information from another body		Executive 5 November 2014 3 December 2014	24 November 2014	Andrew Jones Cllr Mobbs	

Compliance with revised Waste Framework Directive 2008 (Ref 651)			Executive 3 December 2014	24 November 2014	Graham Folkes-Skinner. Cllr Shilton	
Pre Application charging regime (Ref 635)	Moved from October – as agreed by CMT (Bill Hunt)		Executive 1 October 2014 Executive 3 December 2014	24 November 2014	Gary Fisher Cllr Hammon	

January 2015

Bowls (Ref 652)	National Championships Review		Executive – 14 th Jan 2015	5 January 2015	Rose Winship Cllr Gallagher	Park users Residents FoVP Bowls club VP Tennis Café owners
Report on changes to HARP & scheme of Delegation. (Ref 629)	To consider the revised remit of Housing appeal review Panels and amended procedure (Moved Reason 6 Seeking further clarification on implications of report)		Executive 1 October 2014 Executive – 14th Jan 2015	5 January 2015	Amy Carnall Jacky Oughton Cllr Vincett	
Disposal of WDC owned land at Station Approach in Leamington (Ref 636)	To seek support for the principle of the council disposing of this land It is intended that this report will be Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information) (Moved from December 2015 - Reason 4)		Executive 3 December 2014 Executive – 14th Jan 2015	5 January 2015	Bill Hunt Philip Clarke Cllr Hammond	

Asset Management Strategy (Ref 641)	To propose an Asset Management Strategy for all the Council's buildings and land holdings. (Moved Reason 6 Seeking further clarification on implications of report)		5 November 2014 Executive – 14th Jan 2015	5 January 2015	Bill Hunt Cllr Hammon	
Asset Management Plan (Ref 642)	To report on the activities planned for the current financial year to deliver the asset strategy. (Moved Reason 6 Seeking further clarification on implications of report)		5 November 2014 Executive – 14th Jan 2015	5 January 2015	Bill Hunt Cllr Hammon	
February 2015						
5 year Action plan for Warwick's Town Centre Management Group (Ref 653)	To consider a 5 year action plan for Warwick Town		Executive – 11 th Feb 2015	2 February 2015	Nicki Curwood Cllr Hammon	Warwick businesses Town Council Town Centre Management Group
March 2015						

April 2015

Housing Allocations Policy (Ref 607)	To approve a new housing allocations policy (Reason 1 Portfolio Holder has deferred the consideration of the report)		Executive 5 November 2014 Executive 9 April 2014	27 October 2014 27 March 2015	Ken Bruno Cllr Vincett	Housing Strategy 2014 - 2017

Section 2 Key decisions which are anticipated to be considered by the Council between April 2015 and August 2015

May 2015

June 2015

July 2015

August 2015

TO BE CONFIRMED						
Topic and Reference	Purpose of report	History of Committee Dates & Reason code for deferment	Contact Officer & Portfolio Holder	Expansion on Reasons for Deferment	External Consultees/ Consultation Method/ Background Papers	Request for attendance by Committee
Corporate Debt Policy (Ref 516)	To approve the Corporate Debt Policy	TBC	Jon Dawson Cllr Mobbs			
Health Strategy (Ref 576)	To update members on the formulation of the Council's Health Strategy, following the return of Public Health to local authorities (Moved from March 2014 Reason 3)	Executive 12 March 2014 TBC	Rob Chapleo Cllr Coker			
Code of Procurement Practice (Ref 611)	To seek approval of the updated Procurement Code of Practice	TBC	Susan Simmonds Cllr Mobbs			
Kenilworth Area Action/ Neighbourhood Plan (Ref 438)	To consider the request from Kenilworth Town Council to set in train work to develop an Area Action Plan for the town Moved from November 2012 reason 2 (Moved from June 2013 Reason 3) (Moved from August 2013 reason 3)	TBC	Chris Elliott Cllr Caborn		Kenilworth Town Council Warwickshire C/ Council Report to Executive generally on Neighbourhood Plans in July 2012	

Tenant Involvement Strategy (Ref 615)	To approve the Housing & Property Services Tenant Involvement Strategy	TBC	Abigail Hay Cllr Vincett			
Sustainability Report (Ref 551)	To seek agreement for the strategic approach to climate change/sustainability	TBC	Richard Hall Cllr Coker			
Housing Buy To Flip Policy (Ref 608)	To approve a "Buy To Flip" policy for housing	TBC	Abigail Hay Cllr Vincett	Reason 5 Seeking further clarification on implications of report	Housing Strategy 2014 - 2017	

Section 3 - Items which are anticipated to be considered by the Executive but are NOT key decisions

December 2014						
Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
Review of Significant Business Risk Register (Ref 587)	To inform members of the significant risks to the Council		Executive 3 December 2014	24 November 2014	Richard Barr Cllr Mobbs	
Future use of HRA Garage Site (Ref 654)	To agree on the potential usage of garage site. It is intended that this report will be Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information)		Executive 3 December 2014	24 November 2014	Andy Thompson Cllr Vincett	
January 2015						
February 2015						

Delayed reports:

If a report is late, officers will establish the reason(s) for the delay from the list below and these will be included within the plan above:

2. Portfolio Holder has deferred the consideration of the report
3. Waiting for further information from a Government Agency
4. Waiting for further information from another body
5. New information received requires revision to report
6. Seeking further clarification on implications of report.

Details of all the Council's committees, Councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

The forward plan is also available, on request, in large print on request, by telephoning (01926) 353362

Appendix 3

PARTNERSHIP	LEAD OFFICER	PURPOSE	Cost of partnership to Warwick District Council
Building Control	Tracy Darke	Joint Building Control Service for Warwick, Coventry, Daventry and Rugby Councils for the delivery of a sub-regional building control service.	Nil
Coventry Solihull Warwickshire Sports Partnership	Manoj Sonecha	Warwick District Council & 4 Warwickshire districts / Borough's & Solihull MBC & Coventry City Council & Sport England working together to increase participation in sport and physical activity.	C£4k
Victoria Park Tennis	Chris Charman	Warwick District Council & VP Tennis (& the LTA) working together to encourage community tennis participation in the district.	Nil
Habitat Biodiversity Audit (HBA) Partnership	David Anderson	Warwickshire Wildlife Trust, Warwickshire County Council, Coventry City Council, Nuneaton & Bedworth Borough Council, North Warwickshire Borough Council, Rugby Borough Council, Warwick District Council, Stratford District Council, Solihull Metropolitan Borough Council, Natural England, Environment Agency working together to provide a continuous environmental audit of land across the sub-region through the Phase 1 habitat survey and the Wildlife Sites Project (WSP).	C£11k
The Investment Partnership	Duncan Elliott	Warwick District Council and PSP have formed a Limited Liability Partnership to bring forward options for delivering property led and regeneration projects.	Nil
Meadow Community Sports Centre	Ryan Johnston	Warwick District Council & Kenilworth School & Sports College working together to increase and improve the quality of sporting opportunities for the pupils of the School and to extend their curricular and extra-curricular sports activities and to provide additional opportunities for local people and sports organisations to participate in sport and to develop their skills, particularly among low participant groups.	C£60k

Myton Sports Centre	Ian Rourke	Warwick District Council & Myton School working together to increase and improve the quality of sporting opportunities for the pupils of the School and to extend their curricular and extra-curricular sports activities and to provide additional opportunities for local people and sports organisations to participate in sport and to develop their skills, particularly among low participant groups.	C£10k (positive)
Coventry and Warwickshire Local Enterprise Partnership	Bill Hunt	The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) was established following a request from Government for local authority and business leaders to establish private and public sector Local Enterprise Partnerships that cover functional economic geographies and could provide strategic direction to the development and growth of the local economy.	WDC doesn't have any on-going costs associated with the CWLEP, other than Leader's time in attending Board meeting and officer time in attending meetings. However, for 14/15 we made a one-off payment of £24,453 in April as our contribution towards the Year 1 running costs of the Growth Hub (formerly Clearing House) established under the CW City Deal. This contribution was agreed by Executive on 8 January 2014. Future year running costs are borne from the RGF Lancaster pot and CW Growth Deal.
Warwick District Local Sports Network	Manoj Sonecha	WDC / Central Area School Sports Partnership / CSW Sport / NHS Warwickshire / WCC Division for Young People / Brunswick Healthy Living Centre / Warwick Tennis Club / VP Tennis / Warwickshire College use a Multi-Agency partnership approach with the purpose of developing sport and physical activity in the district.	Nil

Warwickshire Waste Partnership	Gary Charlton	Warwick District Council, Rugby Borough Council, Nuneaton and Bedworth Borough Council, Stratford District Council, Warwickshire County Council are responsible for the development of Warwickshire's Municipal Waste Management Strategy.	Nil
Warwickshire Wildlife Trust	David Anderson	Warwick District Council, Warwickshire Wildlife Trust working together to facilitate the management of WDC's Local Nature Reserves.	£15k
South Warwickshire Crime and Disorder Reduction Partnership	Pete Cutts	Warwick and Stratford-on-Avon District Councils, Warwickshire County Council, Warwickshire Police, Warwickshire Fire & Rescue Service, Health Services & Warwickshire Probation working together to reduce crime, disorder, and substance misuse and reoffending rate.	Nil
WDC/SDC Shared Business Rates Service	David Leech	Warwick DC and Stratford DC working together to create a shared National Non Domestic Rates (NNDR) team to increase resilience with the NNDR service provided to both partnering authorities.	Nil