

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 28 November 2017 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Barrott (Chair), Councillors Mrs Bunker, Cooke, Gifford, Howe, Illingworth, Margrave, Noone, Quinney and Wright.

Also present: Councillors Mobbs, Phillips and Whiting.

84. Apologies and Substitutes

- (a) an apology for absence was received from Councillor Davies; and
- (b) Councillor Cooke substituted for Councillor Cain and Councillor Mrs Bunker substituted for Councillor Gallagher.

85. Declarations of Interest

There were no declarations of interest.

86. Minutes

The minutes of the meeting held on 31 October 2017 were taken as read and signed by the Chair as a correct record.

87. Minutes of Joint Scrutiny Committee

The minutes of the meeting held on 13 November 2017 were taken as read and signed by the Chair as a correct record.

88. Executive Agenda (Non-Confidential Items & Reports – Wednesday 29 November 2017)

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 29 November 2017.

Item 4 – Housing Revenue Account (HRA) Budgets Latest 2017/18 and Base 2018/19

The Committee supported the recommendations in the report.

Item 6 – Corporate Apprenticeship Scheme

The Committee supported the recommendations in the report.

89. Fraud Investigation Performance Report

The Committee received a report from Finance which provided an update on the performance of the Fraud team.

The cost of fraud to Local Government had proved difficult to determine due to the lack of fraud measurement exercises undertaken by authorities. Fraud investigations tended to be instigated following a

suspicion either by a member of staff or a member of the public being reported and therefore the true extent of fraud could only ever be estimated.

The report advised that the true cost of fraud to an authority could only ever be determined by undertaking a sampling exercise across all services susceptible to fraud, to identify the true extent of occurrences. In 2013, the National Fraud Authority estimated that fraud could cost the UK around £52 billion per year and the estimated cost to local authorities was £2.1billion.

In February 2015, the Housing Benefit fraud investigation function transferred to the Department for Work and Pensions under the auspices of the Single Fraud Investigation Service (SFIS). Following unsuccessful attempts to recruit suitably qualified investigation staff, it was necessary to consider alternative options for providing the service. In February 2016, Oxford City Council agreed to provide a Corporate Fraud Service for Warwick District Council under a shared service arrangement.

The report explained that investigations where fraud was proven were punishable either by issuing a formal caution or an administrative penalty. An administrative penalty was an agreement with the claimant that, in addition to the repayment of the debt, they would pay a further amount.

Housing tenancy was one of the common areas where members of the public would attempt to commit fraud. This included fraudulent right to buy applications, fraudulent homelessness applications and illegal subletting. As a direct result of work undertaken by the fraud team, four Housing Revenue Account properties had been returned to use, one case had resulted in a successful prosecution for illegal subletting and one was currently being considered for prosecution for fraudulent application. A further ten applicants had been removed from the Council waiting list after their applications were found to be potentially fraudulent.

Housing Benefit fraud was now dealt with by the SFIS, however, local authorities were still responsible for investigating their own council tax reduction fraud. In most cases, a person who was in receipt of housing benefit was also in receipt of council tax reduction and therefore if they were claiming fraudulently it would affect both benefits. Unfortunately, the DWP was not willing to undertake joint investigations with local authorities and neither would it automatically prosecute for housing benefit if the Council prosecuted for council tax reduction.

The Benefits and Fraud Manager attended the meeting along with Mr Simmonds, a fraud officer from Oxford City Council.

In response to questions from Members, the officers advised that:

- Warwick District had struggled to appoint to fraud roles and as a consequence had joined up with Oxford City Council;
- the Council had recently successfully prosecuted an individual for subletting their property;
- the team at Oxford were an intelligence led team who prioritised the high risk matches, risk assessed them then passed them to officers at Oxford City Council;
- cashable savings were those that could be invoiced for;



- not all of the savings would be returned to the General Fund – some may be owed to Registered Social Landlords or to the Housing Revenue Account; and
- the percentage of Council Tax that was retained by the Council was 10% - the remainder went to other authorities such as the County Council.

Councillor Quinney suggested that it would be useful to see a breakdown of the net gain per year; how much did the Council gain and how much did the service cost.

Officers advised that the service cost approximately £53,000 per year but Members needed to be mindful of the deterrent factor and the duty to protect the public purse. All of the monies owed had been billed for, however, collection powers were not the same across the Council. The debt was recoverable but some would take longer to recover than others.

Councillor Gifford raised an issue relating to the County Council, which was one of the recipients of any Council Tax debt recovered. The County Council did not however, contribute towards the Fraud Service being provided.

Members agreed that it was important to advise the public that the Council was prepared to prosecute individuals who committed fraud.

The Benefits and Fraud Manager advised that the DWP had recently approached the Council enquiring about joint working on some aspects of fraud investigation.

Following a seminar attended prior to the meeting, the Head of Finance advised the Committee that lots of local authorities were still struggling to recruit to fraud resource but that the past two years had been more successful. At present, 54% of Councils did not have a fraud team.

The Committee thanked the Benefits and Fraud Manager and Mr Simmonds for attending.

Resolved that the contents of the report are noted.

90. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 29 November 2017)**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 29 November 2017.

Item 3 – General Fund Base Budgets 2018/19

The Committee supported the recommendations in the report including the additional recommendations relating to a CIL officer post, as detailed in the addendum. In relation to the additional recommendation 2.10 relating to Racing Club Warwick, Members felt that every effort should be made to recover the cost of this work. The Committee therefore made a formal recommendation to the Executive as follows:

“The Executive should ensure that the terms of the agreement should endeavour to recover the cost of the works.”



91. **Internal Audit Quarter 2 2017/18 Progress Report**

The Committee received a report from Finance which advised on the progress in achieving the Internal Audit Plan 2017/18, summarised the audit work completed in the second quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

The report outlined the role and responsibilities of audit committees and explained that to help fulfil these responsibilities, they should review summary internal audit reports and the main issues arising, seeking assurance that action had been taken when necessary. The type and content of reports the Committee should receive from internal audit was summarised in Appendix 1 to the report.

Members noted that each audit report gave an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands were detailed at paragraph 11.2 of the report.

The report advised that eight audits had been completed in the second quarter of 2017/18 and a link to the reports issued during the quarter was provided. The areas audited were Housing Rent Collections, Private Sector Housing Regulation (HMO's), Refuse Collection and Recycling, Royal Spa Centre, Rural & Urban Capital Improvement Schemes, Shared Legal Services, Street Cleansing and Town Hall Lettings.

The action plans accompanying all Internal Audit reports issued in the quarter were set out at Appendix 3 to the report. These detailed the recommendations arising from the audits, together with the management responses, including target implementation dates.

As could be seen, responses had been received from managers to all recommendations contained in audit reports issued during the quarter in question. In addition, no audit completed during the quarter was awarded a lower than substantial assurance opinion.

The Audit & Risk Manager introduced the report and in response to a question, advised that the Shared Legal Services audit had covered how the Council interacted with Legal Services and whether the monies paid, reflected the work anticipated.

The Chairman addressed the Committee and advised that he had spoken to officers in Private Sector Housing regarding the response provided to recommendation 4.5.4 on page 12 of the report. Officers had assured him that all tenancy agreements were signed and dated by the respective tenants and retained on file. The wording provided in the response had not been as robust as it could have been.

In addition, Councillor Barrott had spoken to the Building Manager and Health and Safety Co-ordinator regarding the issue of external contractors receiving a health and safety briefing when working for the Council. Officers had confirmed that a register was completed in reception each time a contractor arrived. However, it was not clear if a safety induction was carried out by the relevant service area that the contractor was working for, and if it was, where this was recorded. The Chairman

advised that he would follow the issue up and report back to the Committee.

In response to a question, the Audit & Risk Manager explained that only 11 of the planned 13 audits had been completed due to absences in his team. However, he was hopeful of being able to recover the situation and did not feel it would be necessary to alter the schedule.

The Committee therefore

Resolved that the report be noted and its contents be accepted.

92. Annual Governance Statement 2016/17 Action Plan: Review of Progress

The Committee received a report from Finance which reviewed the progress being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2016/17. The appendix accompanying the report reviewed the progress in addressing the Significant Governance Issues to the end of October 2017.

The production of an Annual Governance Statement was a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).

The CIPFA Financial Advisory Network had published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice was that the Annual Governance Statement was a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) had joint responsibility as signatories for its accuracy and completeness.

The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement, needed to ensure that it accurately reflected the governance framework for which they were responsible.

The report also included a 'Lessons Learned' log from the Procurement of the Electrical Maintenance & Repair Contract which detailed the progress in implementing the recommendations.

The Audit and Risk Manager introduced the report and explained the statutory requirement to produce a statement showing the issues impacting on the Council. Fresh advice had been received on the Code of Corporate Governance from CIPFA and SOLACE and a draft document had been circulated to the Senior Management Team and was awaiting further comment.

Following a question from Members, the Audit and Risk Manager advised that under the Code of Procurement Practice, a Project Initiation Document was required for projects over £50k however, for lesser values, a project plan was sufficient.

Members highlighted recommendation 2.7 on page 8 of Appendix 1A which related to staff updating and signing a copy of their Declaration Interest form. It was noted that there was a legal obligation for Members to ensure their declarations were also up to date.



The Chairman asked for a timeframe that the two 'amber' items in Appendix 1A were likely to be completed by. Officers advised that when the report was written, training dates were being planned and had been booked in with some delivered in November 2017.

Members did discuss the possibility that the progress being made was too slow and considered writing to SMT to express their concerns; however, this did not find agreement.

The Committee therefore

Resolved that the Action Plan set out in the Appendix is noted and the Committee is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2016/17.

93. Treasury Management Activity Report for the period 1st April 2017 to 30th September 2017

The Committee received a report from Finance which detailed the Council's Treasury Management performance for the period 1 April 2017 to 30 September 2017.

Treasury Management had a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimise borrowing interest payable whilst ensuring the security of the capital. The current estimate for investment interest in 2017/18 was shown in a table on page 4 of the report.

The original estimate of external investment interest for 2017/18 was £413,300. This was revised in October to £480,500. The increase of £67,200 was due to the performance of the two Corporate Equity Funds which had exceeded the initial budgeted return.

The risks relating to investment of the Council's funds were outlined in section six of the report along with the mitigation measures associated with each type of investment. These included Corporate Bonds, Floating Rate Notes and Corporate Equity Funds.

A major influence on the Council's investments was the Bank Rate which had remained at 0.25% for the six month period. The Council's Treasury Management Advisors, Capita Asset Services, had provided a forecast as at November 2017 and this was shown in section 9.1 of the report.

Investment Performance was explained in detail and covered Core Investments, Cash Flow Derived Funds and Accounts, Call Accounts and the latest investment tool being utilised, Corporate Equity Funds.

The Head of Finance outlined the report and advised that this was the first time Members had received details relating to the performance of the Equity Funds.

In response to questions from Members, the Head of Finance and the Portfolio Holder for Finance advised that:

- the Council rarely utilised the overdraft facility – it had only been activated on a few occasions, overnight;
- a net figure of the fees relating to the Corporate Equity Funds could be provided;
- clarification would be provided on why the fund was worth £3.04m when the capital grown was 3.44% over six months;
- 5 to 7 years was the optimum investment time, however, to mitigate against volatility in the market, stop losses were in place to assure residents that the Council were being cautious with investments;
- all interest receipts were held centrally; and
- it would not be possible for the Council to borrow at commercial rates if they were considered cash rich enough to do so – local government accounting regulations would not permit it.

The Committee thanked officers for their work and

Resolved that the performance of the Treasury Management Function for the period 1 April 2017 to 30 September 2017 is noted.

94. **Comments from the Executive**

The Committee received a report from Democratic Services which summarised the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 1 November 2017.

As part of the scrutiny process, the Committee no longer considered the whole of the Executive agenda.

Councillors were 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 wished the Scrutiny Committee to pass comment on and the reasons why.

The responses which the Executive gave to those items considered by the Finance & Audit Scrutiny Committee on 31 October 2017 were detailed in the appendix to the report.

Resolved that the responses made by the Executive, as set out in Appendix 1 to the report, be noted.

95. **Review of the Work Programme and Forward Plan**

The Committee received a report from Democratic Services which informed the Committee of its work programme for 2017/18 and the current Forward Plan. Both of these documents were attached as appendices to the report.

The five main roles of overview and scrutiny in local government were: holding to account; performance management; policy review; policy development; and external scrutiny.

The pre-decision scrutiny of Executive decisions fell within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive

decisions, the Committee needed to examine the Council's Forward Plan and identify items which it would like to have an impact upon.

The Council's Forward Plan was published on a monthly basis and set out the key decisions to be taken by the Council in the next twelve months. The Council only had 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 would be making important decisions.

The Committee was mindful that any work it wished 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.

Members noted that during discussions on the budget report, the Committee often had queries relating to specific service areas but the officers who could answer these queries were not always in attendance at the meeting. It was suggested that the Committee's Work Programme be updated to include individual service area budget reviews alongside the Risk Registers and Contract Registers.

Resolved that

- (1) the Forward Plan be noted; and
- (2) the Work Programme be updated to include individual service area budget reviews alongside the Risk Registers and Contract Registers.

96. Public & Press

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraphs 1, 2 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

97. Minutes

The confidential minutes of the meeting held on 31 October 2017 were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 8.24 pm)

These minutes were signed by the
Chairman on 3 January 2018