

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 10 June 2014 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillors Barrott, Mrs Bunker, Dhillon, Gifford, Mrs Knight, MacKay, Mrs Mellor and Williams.

**Also Present:** Councillors Mobbs and Vincett (Portfolio Holders).

Apologies for absence were received from Councillors Rhead, Pittarello, Pratt and Syson.

1. **Substitutes**

Councillor Gifford substituted for Councillor Syson.

2. **Appointment of Chair**

**Resolved** that Councillor Barrott be appointed Chair of the Committee for the 2014/15 municipal year.

3. **Declarations of Interest**

There were no declarations of interest.

4. **Minutes**

The minutes of the meeting held on 7 May 2014 were taken as read and signed by the Chair as a correct record.

5. **Annual Governance Statement**

The Committee received a report from Finance which set out the Annual Governance Statement for 2013/2014 in draft. The Statement described the governance arrangements that were in place during the financial year. The Statement would eventually be signed by the Chief Executive and the Leader of the Council following reviews by this Committee and then Standards Committee.

The Audit & Risk Manager outlined the report and advised that the Annual Governance Statement included Significant Governance issues on page 19, and these were based on supporting evidence. He explained that the report also linked into agenda item 6, Internal Audit Annual Report 2013/14.

Members were asked to consider the report and address its views to the next Standards Committee meeting.

The report reminded Members that Regulation 4 of the Accounts and Audit (England) Regulations 2011 required that "...the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control."

An alternative option was not to provide an Annual Governance Statement for 2013/14, which would almost certainly result in the Council being held in breach of its statutory obligations.

A lot of discussion was had regarding the recommendation to address the Committee's views to the Standards Committee.

There was strong feeling from some Councillors that parts of the report were fundamentally flawed and inaccurate with regard to any outstanding Code of Conduct investigations. Councillor MacKay requested that paragraphs 3.5.2.1 and 3.5.2.2 should be deleted altogether because they were incorrect and bordered on defamation of character.

However, a number of members of the Committee were disappointed with these comments and they conversely, felt the report documented the Code of Conduct issues accurately.

Members had concerns that the Standards Committee was ineffective and lacked any strength to sanction Councillors appropriately.

The report author advised that sections of the report had been compiled by officers with specific insights into the areas of discussion and the Standards Committee were responsible for looking at Governance issues, as per the Constitution.

Councillor Dhillon proposed that the issue of Governance was too in depth and 'meaty' to be handled solely by Standards Committee and felt that a working party should be established to help to improve the image of the Council.

The Committee was advised that there was a Constitution Working Party already established and any comments regarding the appropriateness of Standards Committee considering Governance issues, could be included in their work. Councillors were encouraged to pass their comments to their Group Leaders, who would discuss them at the next Constitution Working Party meeting.

Having read the report, the Committee agreed that it would forward comments to the next Standards Committee in September 2014.

**Resolved** that

- (1) the report be noted; and
- (2) a summary of the concerns raised by Finance and Audit Scrutiny Committee to be forwarded to Standards Committee.

## 6. **Internal Audit Annual Report 2013/14**

The Committee received a report from Finance which formed part of the evidence for the Annual Governance Statement and presented Internal Audit's annual report.

The Audit & Risk Manager's Annual Report and Presentation of Audit Opinion 2013/14 was attached as Appendix 1 to the report. The Annual Report presented a summary of the internal work undertaken during the year and provided an opinion on the overall adequacy and effectiveness of the Council's control environment.

In addition, it drew attention to any issues that needed to be considered for inclusion in the Annual Governance Statement.

The report advised that officers concluded that the Council had an effective internal control framework, however, there had been some instances of non-compliance. These had been reported to the Finance and Audit Scrutiny Committee during the year. Where necessary, management had confirmed that action had been taken to address these issues.

This report was discussed in conjunction with Item 7 – Review of Effectiveness of Internal Audit.

The Standards Committee had been designated as the Committee responsible for considering or approving the Annual Governance Statement. Accordingly, this report would be presented to Standards Committee in September and the Finance & Audit Scrutiny Committee was invited to address its views to that meeting.

The report was produced to comply with the Public Sector Internal Audit Standards that provided the "proper practices" referred to in Regulation 4 of The Accounts and Audit (England) Regulations 2011 in respect of production of an Annual Governance Statement.

The Democratic Services Manager explained that the audit scheduled in 2013 had highlighted areas of concern regarding Data Protection and officers were currently working with the County Council to draw up a training plan.

Members discussed the Data Protection issues highlighted on page 24 of the Internal Audit Quarter 4 report and the problem of confidential information previously being leaked to the media. In addition, the Committee had concerns about the 'limited assurance' detailed for ICT and Data Protection in Appendix 1A of the report.

Members felt that, as detailed in minute number 5, this subject matter was too important to be decided by the Standards Committee alone and felt this should be reviewed. It was also suggested that a timetable should be prepared to advise Members how this was going to be addressed.

Members agreed that their concerns regarding whether the Standards Committee was the appropriate body to consider this topic, would be passed to their individual Group Leaders to formally report to the Constitution Working Party for consideration.

**Resolved** that

- (1) the report be noted; and
- (2) the Committees' concerns regarding the appropriateness of the Standards Committee considering Internal Audit reports, be passed to their individual Group Leaders to formally report to the Constitution Working Party for consideration.

## 7. **Review of Effectiveness of Internal Audit**

The Committee received a report from Finance which formed part of the evidence for the Annual Governance Statement and presented the findings from the review of the effectiveness of the Council's internal audit for the year ended 31 March 2014.

The Accounts and Audit Regulations 2011 required such a review at least once a year and presentation of the results to the committee designated to consider or approve the Annual Governance Statement. Accordingly, this report would be presented to Standards Committee subsequently and the Finance and Audit Scrutiny Committee was invited to address its views to that meeting.

This report was discussed in conjunction with Minute Number 6, Internal Audit Annual Report 2013/14.

The Audit & Risk Manager advised Members that a self-review was undertaken every five years and a complete, external review of Internal Audit had taken place no more than three years ago.

The Committee was advised that the Standards Committee was the designated body, as agreed at Annual Council, to consider this report.

Members felt that, as detailed in minute numbers 5 and 6, this subject matter was too important to be decided by the Standards Committee alone and felt this should be reviewed.

Members agreed that their concerns regarding whether the Standards Committee was the appropriate body to consider this topic, would be passed to their individual Group Leaders to formally report to the Constitution Working Party for consideration.

**Resolved** that

- (1) the report be noted; and

- (2) the Committees' concerns regarding the appropriateness of the Standards Committee considering Internal Audit reports, be passed to their individual Group Leaders to formally report to the Constitution Working Party for consideration.

## 8. **Internal Audit Quarterly Report – Quarter 4 2013/14**

The Committee received a report from Finance which advised on progress in achieving the Internal Audit Plan 2013/14, summarised the audit work completed in the fourth quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

Members had responsibility for corporate governance, of which internal audit formed a key part and the report explained the role and responsibilities of Audit Committees in section 8 of the report.

In addition, the report provided an analysis of the progress made against the Audit Plan for 2013/14 and this was attached at Appendix 2 to the report. Section 10 of the report explained the level of assurance provided by the controls within the audited area and defined the assurance bands.

Eleven audits had been completed in the fourth quarter of 2013/14 and copies of these reports were available to Members. Six of the audits completed had been awarded a lower than substantial assurance opinion. These were Data Protection, Leaseholder Service Charges, Town Hall Lettings, Markets & Mops, Street Cleansing and Grounds Maintenance and their relevant reports were attached at Appendix 4 to the report.

Members discussed the Data Protection issues highlighted on page 24 of the report and the problem of confidential information previously being leaked to the media. Members felt this was a very serious breach and hoped to be provided with an update on improved systems soon. They were assured that this had already been put into the Committee's workflow.

The Leaseholder Service Charge report was discussed and Members were advised that a full review had been undertaken. However, the restructuring of Housing and Property Service had had an impact on progress but a full time post had now been recruited, a review of services and introduction of a new system had been implemented and there was a planned programme to improve communication and engagement.

Having read the report the Committee was happy to note and accept the content of the report.

**Resolved** that the report be noted.

9. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972, 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, 3 and 7 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

The full text of Minute 10 was recorded in a confidential minute which was to be considered for publication following implementation of the relevant decisions. However, a summary is as follows:

10. **Executive Agenda (Confidential Items & Reports)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Wednesday 11 June 2014.

Urgent Item – Council Chamber AV System – Exemption to the Code of Procurement Practice

The Committee made comments and felt unable to fully support the recommendations.

11. **Housing Business Plan Performance Management Biannual Report**

The Committee received a report from Housing and Property Services which updated Members on the Housing Business Plan Performance.

The report asked Members to note the performance outturn of the Business Plan for 2013/14 along with the progress to date of the housing advisory project.

The Executive and Council approved the Housing Business Plan in March 2012 along with an agreed amount of expenditure from the Housing Revenue Account (HRA) balances to prepare a Business Case to maximise the provision of new homes.

At the consideration of the March Executive report, the Finance and Audit Scrutiny Committee had suggested a need to closely scrutinise the expenditure and requested that the monitoring arrangements be explained to Members as soon as possible. Since then, performance reports were presented to the Finance and Audit Scrutiny Committee in December 2012 and June 2013.

The Business Plan Financial Framework for 2013/14 was attached at Appendix 1 to the report and paragraphs 3.11 to 3.14 explained the projected positive and negative variances across the years.

The Housing Services Manager outlined the report and answered questions from the Committee. Members discussed New Build homes and the importance of forecasting with a view to keeping rents low.

**Resolved** that

- (1) the performance outturn of the Business Plan for 2013/14, is noted; and
- (2) the progress to date of the housing advisory project to accelerate and maximise the provision of new homes as part of the Housing Business Plan and to improve the value for money of the existing service, is noted.

## 12. **Executive Agenda (Non-Confidential Items & Reports)**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 11 June 2014.

### Item 4 – HRA Setting for Void Properties

The Housing & Property Services Manager outlined the report, explaining the history of the decision and the government's impact.

The Finance & Audit Scrutiny Committee had concerns that this proposal could make it difficult to get tenants to move and would dis-incentivise people to downsize. Members noted the access to a Tenants Incentive Grant Scheme and welcomed the forthcoming review.

Members noted the impact of the previous decision on the Business Plan and appreciated the loss of revenue if these recommendations were not agreed. However, some Members felt that a more flexible, case by case approach was needed.

The Committee thanked the Housing Services Manager and Councillor Vincett for attending and answering their questions.

(Councillor Vincett and the Housing Services Manager left the meeting at the conclusion of this item)

## 13. **Enterprise Projects - Update**

The Committee received a report from Development Services which updated Members on the operational performance of the Enterprise Projects, namely: Althorpe Enterprise Hub (AEH), Court Street Creative Arches (CSCA), and Brunswick Enterprise and Employment Zone (BEEZ).

The report also referred to Spencer Yard (Phase 1) managed by the Enterprise Team, which also had management responsibility for Jubilee House. Jubilee House, however, was not included in this report.

The Business Manager outlined the report and answered questions from the Committee.

The report detailed the extensive progress that had been made since 2011 and the close working with the Coventry and Warwickshire Chamber of Commerce to provide start up support for businesses. This scheme was extended in August 2013 and further funds were allocated for this purpose.

Section 3.1.3 explained the membership and purpose of a collaborative business mentoring group, called Spokes and the number of individuals who had been assisted with new business start-up advice, since the group's launch six months ago.

The report also advised of the programmes to get unemployed people back into work and the collaboration with the Graduate Employment Partnership.

A project summary of the Court Street Creative Arches was included at section 3.4 of the report and detailed the challenges that the project had encountered.

Members were pleased with the progress made with new businesses in the District and hoped that the graduate scheme and the relationship with the University would continue.

The Committee thanked the Business Manager for attending and answering its questions.

**Resolved** that the developments since the previous report in July 2013 are noted.

#### 14. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972, 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, 3 and 7 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

The full text of Minute 15 was recorded in a confidential minute which was to be considered for publication following implementation of the relevant decisions. However, a summary is as follows:

#### 15. **Executive Agenda (Confidential Items & Reports)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Wednesday 11 June 2014.



Item 9 – Land off Wise Street, Royal Leamington Spa

The Committee made comments and supported the recommendations in the report.

16. **Executive Agenda (Non-Confidential Items & Reports)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 11 June 2014.

Item 3 – Final Accounts 2013/14

The Finance & Audit Scrutiny Committee supported the recommendations following a robust discussion and thanked the Head of Finance for attending and answering their questions. Members asked for clarity on the level of slippage each year and the Council's current deficit position.

Members enquired about the pension deficit, the impact of the Council Tax freeze and were satisfied that any potential increase in interest rates had been factored into the forecasting.

Finally, the Finance & Audit Committee highlighted the excellent Council Tax collection rate of 98.5%.

Item 7A – Rural / Urban Capital Improvement Scheme (RUCIS) Application

The Finance & Audit Scrutiny Committee supported the recommendations and advised that, following discussion with the report author, future reports would include details of the latest bank statement from clubs, to avoid confusing old accounts with available funds.

Members were disappointed that Kenilworth Town Council felt unable to support the club financially and noted that Appendix 2 on page 7 should read a maximum contribution of £13,250 not -£31,450.

Item 7B – Microsoft Support Contract

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

17. **Comments from the Executive**

A report from Civic and Committee Services advised that the Committee had not considered any Executive items on 7 May 2014.

**RESOLVED** that the contents of the report be noted.

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

The Committee considered the latest published version of the Forward Plan.

One of the five main roles of overview and scrutiny in local government was to undertake pre-decision scrutiny of Executive decisions. If the Committee had an interest in a future decision to be made by the Executive it was within the Committee's remit to feed into the process.

The Forward Plan detailed the future work programme for the Executive. If a non-Executive Member highlighted a decision which was to be taken by the Executive which they would like to be involved in, Members could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

Members were advised that the Contracts Register item was due to be submitted to the 2 September 2014 meeting.

**Resolved** that, at present, there were no forthcoming Executive decisions which Members wished to have an input into before the Executive make their decision.

(The meeting ended at 8.45 pm)