

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 2 April 2019 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair); Councillors Cain, Day, Gifford, Illingworth, Mrs Knight and Wright.

Also present: Councillors Coker, Mobbs, Phillips, Rhead and Thompson

126. Apologies and Substitutes

Apologies for absence were received from Councillors Howe, Margrave, Murphy and Noone.

127. Declarations of Interest

Minute Number 134 – Executive Agenda (Non Confidential Items and Reports) – Wednesday 3 April 2019

At the time of discussing this item, Councillor Gifford declared an interest because he was a County Councillor and the Council had a shared procurement service with Warwickshire County Council.

Minute Number 135 – Procurement Progress Update – annual for financial year 2018/2019

At the time of discussing this item, Councillor Gifford declared an interest because he was a County Councillor and the Council had a shared procurement service with Warwickshire County Council.

128. Minutes

The minutes of the meeting held on 5 March 2019 were taken as read and signed by the Chairman as a correct record.

129. Leisure Development Programme - Completion of Phase I

The Committee received a report from Cultural Services providing an update on the completion of Phase I of the Leisure Development Programme.

The Leisure Development Programme (LDP) Phase I commenced in April 2016 with ambitious projects to refurbish and extend the leisure centres at Newbold Comyn, Royal Leamington Spa and St Nicholas Park, Warwick. St Nicholas Park Leisure Centre was finally completed in April 2018 and Newbold Comyn Leisure Centre in October 2018.

Both sites experienced significant delays during the construction phase, and as a result, incurred additional costs in terms of compensation to the construction contractor, the leisure centre operator, materials and professional services, and officer time.

The final costs report had been received from the project managers, Mace, and had been presented to the Project Board. A high level summary extracted from the Cost Report was attached as Appendix A to the report.

As Members were informed in May 2017, based on legal advice, it was intended at the completion of the projects to make a financial claim against the relevant utility companies for their role in the delay in the projects. These claims had now been made as described in the private and confidential report, also on the agenda.

As explained in the briefing given to Members in May 2017, attached as Appendix B to the report, both sites experienced significant disruption to the construction programme as a result of delays in works by a number of utility companies. These delays were extremely disappointing, given that a programme of "Enabling Works" had been undertaken ahead of the official contract award in order to mitigate such delays, and that it had been agreed with Speller Metcalfe (SML), the construction contractor, to place orders in summer 2016 with the appropriate utility company to avoid delays later in the programme.

In summary, the delays were the result of:

- Water mains diversions at Newbold Comyn and St Nicholas Park; burst water pipes; redesign of utility infrastructure to address problems that emerged with original plans.
- Delay in initial works and in redesign of electricity infrastructure to address problems that emerged with original plans.
- Delay in carrying out gas diversions at St Nicholas Park and delay in commissioning the new mains.

Further details of the causes of the delays were included in the private and confidential report, also on the agenda for this meeting.

At the point that officers briefed Members in May 2017, the pool at St Nicholas Park Leisure Centre was due to open on 4 September 2017 with the gym and studios opening in Spring 2018. These dates were achieved and the official opening with Colin Jackson MBE took place on 21 April 2018.

It was anticipated that Newbold Comyn Leisure Centre would be complete with all the facilities open by Spring 2018. Further delays were experienced at this site due to issues related to the water mains, which were impacting on the "buildability" of the sports hall, colonnade, entrance area and car park. The designs produced and implemented by the utility company proved to be unviable, and contractors failed to carry out the works to the approved plans. The Centre was finally completed and fully open to the public on 17 October 2018 with an official open day celebrated on 17 November 2018.

The works undertaken on the project by the utility companies were outside of the "Contract Works" being undertaken by SML, and therefore the management of the utility companies carrying out these works was the responsibility of the Council rather than SML. Under the terms of the NEC3 Engineering and Construction contract, SML were therefore entitled to claim compensation from the Council for the delays. Each compensation event that SML claimed for was assessed by Mace Ltd, the Project Manager, and

involved forensic study of SML records, site records, site diaries and SML quotations in order to ensure that the SML claim for compensation events was justified and auditable. On behalf of the Council, Mace Ltd undertook a forensic assessment of the SML claim, and advised the Council to settle on a figure that they believed was fair and reasonable. Details of the settlement were included in the private and confidential report.

There was a further implication of the delays at each site, in that under the terms of their contract with the Council, Everyone Active were able to claim for loss of income due to the facilities not being completed on schedule. Details of this claim were also included in the private and confidential report.

Given the scale and complexity of the issues relating to the delays, advice was sought from Warwickshire Legal Services and Counsel on the approach and strategy to be taken in approaching these companies. Based on their advice, Deputy Chief Executive (AJ), in consultation with Councillors Coker and Rhead, had lead the process to seek compensation from each of the three utility companies. Letters were sent in January 2019. The private and confidential report provided Members with an update of the current situation in terms of these claims.

Resolved that the report be noted.

130. **Public and 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 paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

The item below was considered in confidential session and the full details of this were included in the confidential minutes of this meeting.

131. **Confidential - Leisure Development Programme - Completion of Phase I**

The Committee received a confidential report from Cultural Services providing an update on the completion of Phase I of the Leisure Development Programme.

The recommendations in the report were approved.

(The meeting resumed in public session.)

132. **2018/19 Audit**

The Committee received a report from Finance seeking approval of the 3018/19 External audit Plan.

The External Auditors, Grant Thornton, had prepared their Audit Plan for 2018/19 for Members' consideration. This was supported by the "Informing the Risk Assessment" document.

As in recent years, the auditors had commenced work on the audit. Progress on the audit work to date was also included.

The auditors had submitted the External Audit Plan for 2018/19 which was included as Appendix A to the report. Appendix B to the report, Informing the Risk Assessment, had been produced by the external auditors, bringing together details of responses from officers. The purpose of the document was to assist in the communication between Members and the external auditors. Officers' responses to the document had also been included.

The auditors had been on site for three visits to commence work on the audit. The intention was to undertake as much work as possible ahead of closedown and the compilation of the Statement of Accounts as possible, so as to reduce their audit time in June/July. Progress on the Audit was included as Appendix C to the report.

The vast amount of the documents and supporting information was supplied to the auditors ahead of their interim visits. At the time of writing the report, most of the items shown as outstanding had been submitted, with progress shared with the auditors.

The progress report included details on progress made against the recommendations from the auditors within the 2017/18 Annual Audit Letter. These recommendations were monitored and reported to Members within the regular update report on the Action Plan following Review of Closure of Accounts.

The external auditors introduced the report and answered questions from Members.

In addition, it was noted there was an error at page 12, where it should read (PY £62,000) rather than (PY £62m).

In response to questions from the Committee, the Head of Finance and external auditors explained that:

- the report and appendices were a transparent way to report to Committee;
- all Members were required to fill in declaration forms, which were efficiently collected in February. The Senior Management Team were also required to fill in the same form. In line with the Employee Code of Conduct, there was also a process for all employees to declare interest to their managers;
- whilst it was not impossible for fraud to happen, the external auditors were satisfied with the procedures the Council had in place for fraud prevention; and
- no delays or problems were anticipated as far as the valuers were concerned.

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On behalf of the Committee, the Chairman thanked the external auditors for their attendance and their extremely valuable support when dealing with considerable challenges.

Resolved that

- (1) the 2018/19 External Audit Plan and the supporting document, Informing the Risk Assessment, be agreed; and
- (2) the progress on the 2018/19 audit to date be noted.

133. Update on Action Plan following Review of Closure of Accounts

The Committee received a report from the Deputy Chief Executive (AJ) setting out the progress on the action plan which was agreed in the report on the Review of the Closure of 2017/18 Accounts in October 2018.

Appendices 1 and 2 to the report set out the monthly progress report on, and risk register of, the action plan agreed following the Review of the Closure of the 2017/18 Accounts. Progress was to be noted and for the Executive and the Finance and Audit Scrutiny Committee to make any comments.

The Deputy Chief Executive (AJ) introduced the report and answered questions from Members.

In response to questions from the Committee, the Deputy Chief Executive (AJ) explained that:

- the necessary infrastructure was in place so that all service managers would be able to update performance measurements in real time. Action 15 in Appendix 1 to the report was still amber, but it was expected that once the Project Officer was recruited, there would be no need for that to be amber anymore;
- the skeleton for the statement of accounts was being populated, picking up comments from the auditors.

The Deputy Chief Executive (AJ) thanked the external auditors for all their efforts and support.

Resolved that

- (1) the content of the action plan at Appendix 1 to the report, be noted; and
- (2) the content of the Risk Register at Appendix 2, be noted.

134. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 12 – Update on Action Plan following Review of Closure of Accounts

The Finance & Audit Scrutiny Committee welcomed the report and noted the recommendations in the report and appendices. The Committee accepted that the timing for closure of the final Accounts for 18/19 remained on track for the end of July, as indicated by this report and by the separate report to Committee by the external auditors, who also contributed to the discussion on this paper. The Committee requested that any bad news regarding closure be immediately reported to the Committee.

Item 10 – Significant Business Risk Register

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

Item 3 – Procurement Strategy and Review of Shared Service

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

135. Procurement Progress update – annual for financial year 2018/2019

The Committee received a report from Finance providing Members with greater visibility of all the Council's procurement activity. The report gave a snap shot on how procurement was organised within Warwick District Council and the resources that were being utilised to deliver effective procurement. The report also served to update progress on Procurement during the financial year 2018/19.

It was agreed at the July 2010 Executive meeting as part of the Procurement Strategy that Members would receive updates on the progress of procurement and the procurement strategy. This was one of the actions within the Procurement Action Plan.

The Council's combined expenditure was approximately £38 million a year on the acquisition of goods and commissioning of works and services through procurement activity and the provision of grants to third party organisations.

The Procurement Team had been extremely busy over the past year: mobilising the procurement shared service arrangement with Warwickshire County Council; adjusting to the new procurement service structure; supporting the production and dissemination of the new Code of Procurement Practice and new Procurement Strategy; and supporting the delivery of a large number of procurement exercises for goods, services and works, including the Digital CCTV project.

A revision of the Council's Code of Procurement Practice in conjunction with the County Council had dramatically reduced its size and improved its usability. In addition, to build on the many elements of the current procurement strategy that were now fully integrated as part of the Council's standard procurement processes, a new strategy had been drafted and submitted for approval to align the Council with its current corporate

objectives, as well as the objectives set in the National Procurement Strategy 2018.

The appendices to the report detailed progress on procurement during the year. Appendix 1 to the report was the Record of Progress against Procurement Action Plan 2018/19. The Action Plan was agreed by members in April 2018.

Appendix Two, Procurement Activity from April 2018-March 2019, detailed the specific projects worth over £25,000 that had been worked upon in the year, split into contracts being re-let and new contracts awarded.

In January 2018, the Executive agreed that the Council would enter a partnership with Warwickshire County Council for strategic procurement support. This was partly due to the problems that the Council had had in recruiting and retaining senior procurement officers. This partnership was reviewed in more detail within the Procurement Report to the Executive on 3 April 2019.

The proposed Procurement Strategy 2019-23 was included within the Executive Agenda for 3 April 2019. To support this Strategy, an Action Plan had been produced to support the Objectives. These objectives were included within Appendix 5 to the report.

Resolved that

- (1) the progress across the procurement function over the past year as set out in Appendices 1 to 4 of the report, be noted; and
- (2) the Procurement Action Plan to achieve Strategic Procurement Objectives for 2019/2020 attached as Appendix 5 to the report, be approved.

136. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 4 – Employer's Agent for New Housing Programme

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Councillor Phillips, Portfolio Holder – Housing undertook to submit a revision to the wording of the Housing Revenue Account (HRA) amendment that would address the concerns raised by the Overview & Scrutiny Committee so that the Employer's Agent ensured that these new homes met the required standards regarding performance-in-use measures of energy efficiency, lifetime homes and renewable energies. Councillor Davidson had supplied a form of wording which Councillor Phillips agreed he could use to base the revision as follows:

Councillor Davidson's suggested wording:

The Council is currently developing "a Plan to incorporate in new-builds funded through the Housing Investment Programme improved housing standards, in-use performance standards (such as identified by the Sustainable Development Foundation), lifetime homes standard and renewable energy installations." Consequently, the Employer's Agent would need to demonstrate experience and expertise in these areas, so that the new homes would be built in accordance with these standards and performance monitored.

137. Public and 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 paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

The item below was considered in confidential session and the full details of this were included in the confidential minutes of this meeting.

138. Executive Agenda (Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 14 – Confidential Appendix 1 to Item 4 - Employer's Agent for New Housing Programme

The Finance & Audit Scrutiny Committee supported the recommendations in the report. More details were provided in the confidential minutes.

(The meeting resumed in public session.)

139. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 8 – Corporate Property Repair and Planned & Preventative Maintenance Programme (PPM) 2019/20

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

Item 6 - Software and Hardware Upgrade for CCTV Service

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

140. Health and Community Protection - Service Review

The Committee received a report from Health & Community Protection (HCP) bringing together the Health and Community Protection contract register, risk register and budget.

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

The report brought together the HCP risk register, HCP contract register and HCP budget outline.

The latest version of the risk register was set out as Appendix A to the report, with a summary document provided as Appendix B to the report.

The scoring criteria for the risk register were subjective and were based on an assessment of the likelihood of something occurring, and the impact that might occur.

In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse was true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks were within the area shaded red, whilst the latter-described set of risks were within the area shaded green; the mid-range were in the area seen as yellow.

HCP were responsible for a wide range of services which consequently led to a number of potential risks. There were 46 risks contained in the risk register.

There were 25 risks rated "green", 20 rated "amber", and one rated "red", in accordance with the Council's risk scoring matrix.

As with all the risks in the register, it was the controls and mitigations that were being undertaken to control the risks that were of importance. These reflected the tangible actions over which there was more control.

The latest version of the HCP contract register was set out in Appendix C to the report. There were 24 live contracts listed.

Details of HCP budgets were included as Appendix D to the report.

The Head of Health and Community Protection and the Portfolio Holder for Health and Community Protection introduced the report. In response to questions from the Committee they explained that:

- they did charge HS2 Ltd for the work they undertook; and
- the primary work on HS2 was section 61 applications.

Resolved that the Health and Community Protection contract register, risk register and budget, be noted.

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

The Committee received a report from Democratic Services setting out its current work programme, the Forward Plan and responses from the comments made by the Committee to the Executive.

Resolved that the report and its appendices be noted.

142. End of Term Report 2018/19

The Committee received a report from Civic & Committee Services providing an update on the work the Committee had undertaken during the 2018/19 municipal year.

Under Article 6 of the Council's Constitution, Overview and Scrutiny Committees and Policy Committees were required to provide an end of term report to the Council on work they had undertaken during the year.

Prior to it being presented to Council, the report would be updated to include items considered at the 2 April 2019 meeting of the Committee.

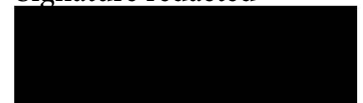
The Democratic Services Manager & Deputy Monitoring Officer introduced the report and answered questions from Members. Members agreed to add an additional item on the Work Programme relating to Pump Rooms Gardens and lessons learnt from that.

Recommended to Council that the list of matters considered by the Committee during the municipal year 2018/19, as detailed in Appendix 1 to the report, be noted.

The Chairman, Councillor Quinney, thanked all Members, present and absent, for their contributions in what had been a fairly tough year, and thanked officers, who had been supporting the Committee.

The Committee thanked the Chairman for his efforts and for being an extremely thorough, excellent Chair.

(The meeting ended at 9.02 pm)
Signature redacted

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CHAIRMAN
29 May 2019