

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 7 March 2017 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair), Councillors; Ashford, Barrott, Cain, Mrs Falp, Gifford, Harrington, Illingworth, Noone and Rhead.

Also present: Councillors Cross, Mobbs and Phillips.

110. Apologies and Substitutes

- (a) Apologies for absence were received from Councillor Thompson; and
- (b) there were no substitutes.

111. Declarations of Interest

Minute 117 - Finance & Audit Agenda Item 7 – The Monitoring of Section 106 Contributions

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

Minute 119 – Executive Agenda Item 12 – Request for Funding for a Community Hub in Norton Lindsey

Councillor Rhead declared a pecuniary interest because he had submitted the original application on behalf of the requestors and had been a promotor for the funding. He left the room whilst the item was discussed.

112. Minutes

The minutes of the meeting held on 7 February 2017 were taken as read and signed by the Chairman as a correct record.

Councillor Rhead questioned the minute relating to the item on the Infrastructure Delivery Plan. Officers at the meeting had agreed to insert additional columns to the spreadsheet detailing the work needed over the first five years and subsequent five years. However, these had yet to materialise. The Development Manager agreed to speak to the officers concerned and remind them.

113. Procurement Progress Update

The Committee received a report from Finance which updated Members on the progress on Procurement during the financial year 2016/17.

The report advised that the Procurement Team had been extremely busy over the past 12 months supporting the delivery of a large number of procurement exercises for goods, services and works.

The Procurement Manager introduced the report and advised that over the past 18 months procurement had been the focus of a number of new initiatives instigated by the European Union and UK Government.

In addition, new directives from the EU had been implemented through the Public Contract Regulations 2015 and The Local Government Transparency Code 2014 had introduced mandatory requirements on local authorities.

Appendix One to the report showed the 2016/17 Action Plan achievements and Appendix Two showed the completed, current and planned procurement projects for 2016-17. In addition Appendix Three showed the summary of live contracts with a total value of £5,000 or above on the Contracts Register.

Members queried the difficulties relating to staff retention in procurement and were advised that there were a number of companies offering attractive salaries outside of local authorities such as HS2 which Councils could not compete with.

It was noted that the Procurement Manager was the 'messenger' to a certain extent and ownership of the contracts fell to the relevant Heads of Service. However, to avoid separate records being kept, the Procurement Manager explained that the register was monitored on a monthly basis, the information was contained in one spreadsheet and filtered by service.

Concerns were raised that despite the work being done, the register was not always kept up to date and Members queried how the message could be pressed to Heads of Service about the missing information. In response, the Head of Finance referred to the updated Code of Procurement Practice and highlighted that work was being done on how best to file the contracts within the Corporate Support Team and would be fed into the strategy.

Overall, the Committee felt the report was positive and was pleased that progress was being made.

Resolved that the progress across the procurement function over the past 12 months is noted.

114. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 8 March 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 8 March 2017.

Item 7 – Bereavement Services – enhanced service provision

The Committee fully supported the recommendations in the report.

115. **Review of Development Services Contracts Register**

The Committee received a report from Development Services which set out the process for the review of the department's contract register and highlighted any issues which needed to be addressed in the next twelve months.

The review of contract registers by the Committee allowed members the opportunity to consider the robustness of the register, make appropriate suggestions on how it could be improved and consider the document within the context of promoting sound procurement practice across the Council.

The latest version of Development Services' Contract Register was attached at Appendix 1 to the report.

The report was introduced by the Policy and Projects Manager, the Development Manager and the Portfolio Holder for Development Services, Councillor Cross.

The Policy and Projects Manager advised that officers had been working towards improving the register and locating documents as necessary. This also included making updates as and when required and adding contracts to the spreadsheet as they were procured.

In response to a question relating to the number of contracts not signed or without copies in the deed store, officers advised that the reasons were varied. Some contracts had electronic agreements which were stored on the L Drive and some had been inherited from previous managers and officers had struggled to get hold of a copy of the contract. In relation to the "IDOX" contract, officers were in the process of reviewing the terms of this contract and had been in negotiations for the past few months. It was hoped that a five year contract would be secured shortly bringing better value for money and a potentially high saving.

Councillor Rhead raised a query in relation to review dates and in particular the date relating to the CIL Viability contract on page five of the report. The Policy and Projects Manager advised that this had been overlooked and he took responsibility for this. Clarification was also provided on the procurement of legal services through the County Council on an ad hoc basis.

The Committee felt that the register was now in a much better state and credit should be given to the officers for the work done so far.

Resolved that the Contract Register for Development Services is noted.

116. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 8 March 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 8 March 2017.

Item 13A – Procurement Exemptions - CIL Viability and Retail Planning

The Committee supported the recommendations in the report subject to the removal of the repeat wording in recommendation 2.2.

117. **The Monitoring of Section 106 Contributions**

The Committee received a report from Development Services which provided an update on the operation of the Council's Section 106 monitoring database.

The monitoring of Section 106 agreements was continuing on a collaborative basis particularly involving officers within Development Services; Neighbourhood Services; and Housing and Property Services along with colleagues at Warwickshire County Council, particularly their Infrastructure Delivery Manager, Ms Neale who was also present at the meeting.

This matter was last considered by the Finance & Audit Scrutiny Committee in March 2016 and the ongoing review and development of the Section 106 database had continued. The review included meetings with Councillors Quinney, Rhead and Harrington which took place in late March; July and October 2016.

The report advised that whilst the overall database itself included some 145 agreements, the majority related to developments which had been completed and in respect of which no further action was required. The key focus of the monitoring work was the 34 currently active agreements in respect of which i. the development in question was currently underway; ii. there were payments which had been received but not yet spent; and/or iii. payments or commitments remained outstanding and were being sought.

In addition, there were currently 11 agreements on the database which related to developments that had not yet commenced.

The Portfolio Holder, Development Manager and Site Delivery Manager introduced the report and advised that the database contained a wealth of information that had not been available two years ago.

Ms Neale explained that her post had been created to bring Section 106 contributions together, she had been in post two years and an internal and external audit were taking place. She assured Members that officers were not resting on their laurels and they were robust in the collection of money. In addition, the County was focused on ensuring the money was spent on what it had planned it would be spent on and if not, the money would be returned.

Members asked questions and received clarification on a number of issues including the contributions detailed in paragraph 3.12 which were at a potential risk of being reclaimed. Ms Neale advised that there had been some growth in Kenilworth in 2010 and 2011 and the County was starting to collect the contributions but the County needed to identify what it wanted to spend the money on. In relation to the educational contributions, some of the primary funds had been spent but at present there had been no secondary spend and some decisions needed to wait for the outcome of the Local Plan.

The Site Delivery Manager addressed Members and advised that he monitored development sites every quarter. He explained that most of the contribution trigger points were based on occupation of dwellings at

which point he would contact the developer and on agreement would raise an invoice.

Members noted that if a S106 agreement needed to be varied it would have to come back to Planning Committee for approval because there was no delegated authority to officers. In addition, whilst Members were mindful that an internal audit was taking place at WCC they felt that it was important that officers recognised this was a joint venture.

The Audit and Risk Manager reminded Members that they needed to rely on District Council audits which had originally highlighted the weaknesses surrounding S106 contributions. Councillor Gifford advised that he was on the Audit Committee at WCC and had seen the spreadsheet detailed in its audit.

Councillor Mrs Falp reminded Members that they had a responsibility to know about the S106 agreements relating to their areas and she had emailed the Site Delivery Manager in the past when she knew a development had hit its trigger points.

The Portfolio Holder, Councillor Cross, summarised by congratulating the Finance and Audit Scrutiny Committee for its work on this subject and was encouraged by the level of cross Authority working taking place.

Resolved that the report be noted.

At the conclusion of this item the Chairman, Councillor Quinney, left the meeting temporarily and therefore nominations for a Chairman were sought.

118. Appointment of Chair in Councillor Quinney's absence

Resolved that Councillor Barrott be appointed as Chair in Councillor Quinney's absence.

119. Executive Agenda (Non-Confidential Items & Reports – Wednesday 8 March 2017)

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 8 March 2017.

Item 10 – Review of Approach to unauthorised encampments

The Committee supported the recommendations in the report, including the additional recommendation 2.7 as circulated in the addendum. Members highlighted the need to move forward with the identification of suitable sites at the earliest opportunity and welcomed the move to publicise the Council's responsibilities on the website. In addition, Members were pleased that a definitive Agency Contact list would be included in the protocol and requested that this be made available to all Councillors.

Item 11 – St Mary's Lands Delivery Plan for 2017/18

The Committee supported the recommendations in the report and commended the Working Party for their work to date.

Item 12 – Request for Funding for a Community Hub in Norton Lindsey

The Committee supported the recommendations but raised concerns that due to the request for funding coming from a limited company, which had the ability to sell shares, the Council should ensure its contribution was protected should the premises be sold on in the future. Therefore, the Committee agreed that an additional recommendation should be included as follows:

The Finance and Audit Scrutiny Committee recommended that a covenant be added to any agreement to ensure that if the Community Hub were to be sold on in the future, there would be a mechanism to recoup any contributions made by the Council.

The Executive are required to vote on this because it forms a recommendation to them.

120. **Internal Audit Quarter 3 2016/17 Progress Report**

The Committee received a report from Finance which advised on progress in achieving the Internal Audit Plan 2016/17, summarised the audit work completed in the third quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

The Finance and Audit Scrutiny Committee was operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees was available from a number of sources. That which related to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit, was summarised in Appendix 1 to the report.

To help fulfil these responsibilities, audit committees reviewed summary internal audit reports and the main issues arising, and sought assurance that action had been taken where necessary.

The report advised that at the start of each year Members approved the Audit Plan setting out the audit assignments to be undertaken and an analysis of progress in completing the Audit Plan for 2016/17 was set out as Appendix 2.

In addition, definitions of assurance levels were provided in section 10 of the report and a summary of the internal audit assignments completed during the quarter was provided in section 11 with a link to the corresponding reports. The report explained that none of the audits completed during the quarter was awarded a lower than substantial assurance opinion.

The action plans accompanying the internal audit reports issued in the quarter, were detailed at Appendix 3 to the report.

The Audit and Risk Manager introduced the report and highlighted an additional recommendation 2.2 which related to the approval of changes to the Audit Plan as explained in paragraph 9.3.

The report advised that late changes had been made to the Audit Plan by virtue of the two audits in Housing and Property Services being postponed at the behest of the Deputy Chief Executive (BH). The Energy Management and Warwick Plant Maintenance audits had been replaced by audits of Lettings & Void Control and Planning Policy.

The Audit and Risk Manager advised that the Senior Management Team had agreed to the changes due to a number of staffing issues within Housing and Property Services, which included the currently vacant post of Head of Service.

In response to a question from Members, the Audit and Risk Manager confirmed that the changes had caused operational concerns with the Audit Department and the short notice from officers had not been ideal. He also explained that the time required from officers to assist with an audit varied but he did feel that there had been sufficient reason for the postponement on this occasion.

The Committee offered to support the Audit team in requesting a non-postponement of the audits but the Audit and Risk Manager declined this offer.

The Committee raised concerns that the length of the postponement was too long and suggested that Members request that the audit take place as early as possible and before the end of the calendar year 2017.

During discussions it materialised that the decision to postpone had been taken about a month previously but with no consultation with the Chairman of Finance & Audit.

Members agreed that the Chair, Councillor Barrott, should write to the Deputy Chief Executive expressing the Committee's disappointment at the postponement and requesting that the audits be completed by the end of the calendar year. In addition, it would be suggested that in future consultation should be undertaken with the Chair of the Finance and Audit Scrutiny Committee.

Resolved that

- (1) the report be noted and its contents be accepted; and
- (2) the Chair, Councillor Barrott, will write to the Deputy Chief Executive expressing the Committee's disappointment at the postponement of the two Housing and Property Services audits, requesting that these be undertaken by the end of the calendar year and in future any decisions to make changes to the audit plan be made in consultation with the Chairman of Finance and Audit.

(Councillor Quinney returned to the meeting during the consideration of this item but did not resume the Chair)

121. **Annual Governance Statement action Plan 2016/17: Review of Progress**

The Committee received a report from Finance which allowed Members to review the progress that was being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2015/16. The appendix accompanying the report set out the progress in addressing the Significant Governance Issues.

The Annual Governance Statement described governance arrangements relating to the Council's corporate priorities and key strategic projects that were reflected in Fit for the Future. The Fit for the Future programme was also based on an agreed set of values amongst which were the ones of openness and honesty. This was integral to the consideration of governance in an organisation; governance issues needed to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.

The arrangements would assist the Council in furtherance of its priority of providing clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.

The report explained that the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) had emphasised that corporate governance was everyone's business and their definition was detailed at paragraph 8.1 of the report.

CIPFA and SOLACE had also issued a framework and guidance on delivering good governance in local government and the relative principles were outlined in section 8.2 of the report.

The Audit and Risk Manager introduced the report and explained the two significance governance issues detailed in the appendix. These were the Call-In Process and the Service Area Crisis Plans. A revised Call-In procedure had since been drafted and was to be considered by the Executive on 8 March with a view to it being agreed at Council on 20 April 2017.

With regard to the Service Area Crisis Plans, all plan owners had been contacted and encouraged to review and update their plans.

The Committee noted the report and were satisfied with the progress being made.

Resolved that the Committee is satisfied with the Action Plan set out in the Appendix to the report and with the progress being made in addressing the Significant Governance Issues relating to the Annual Governance Statement 2015/16.

122. **Comments from the Executive**

The Committee considered 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 8 February 2017.

Members were disappointed with the Executive response to their comments relating to the Budget 2017/18. It was felt that the comment made had not been political and at that stage no comment had been passed to the Media.

The Committee agreed that their disappointment should be fed back to the Executive, and

Resolved that the report be noted.

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

The Committee considered its Work Programme for 2016/2017 and the Forward Plan.

Resolved that its Work Programme be amended as follows:

- (1) the date of the Audit Opinion Plan should read 2016/17 not 2015/16;
- (2) The Significant Business Risk Register was an Executive item so did not need to appear on the work programme; and
- (3) the Procurement Evaluation be added to the April 2017 meeting.

124. **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.

125. **Electrical Maintenance Contract – Final Report**

The Committee received a report from the Deputy Chief Executive (AJ) relating to the letting of the Council's Electrical Contract.

The full minute for this item will be included in the confidential minutes to the meeting.

(The meeting ended at 9.30 pm)