

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 28 July 2015 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Barrott (Chair): Councillors Ashford, Butler, Mrs Falp, Gifford, Harrington, Mann, Illingworth, Quinney, Rhead and Thompson.

Also Present: Councillors Mrs Gallagher, Phillips and Whiting.

22. **Substitutes**

Councillor Mrs Falp substituted for Councillor Heath and Councillor Ashford substituted for Councillor Day.

23. **Declarations of Interest**

Minute Number 28 – Review of Cultural Services Risk register

Councillor Mrs Falp declared a prejudicial interest in this item because her son worked for the Service Area and was referred to in the report.

Minute Number 30 – Executive Item 3 – Budget Review to 30 June 2015

Councillor Gifford declared a Disclosable Pecuniary Interest in this item because he was a member of the Warwickshire Local Government Pension Scheme advisory Board for Warwickshire County Council, and left the room during the consideration of this item.

Minute Number 32 – Executive Item 4 – Gypsies and Travellers – update on the progress of the Development Plan Document to allocate sites

Councillor Mrs Falp declared a personal interest in this item because her son was a shareholder in the club and because she knew the land owner of one of the proposed sites.

Minute Number 32 – Executive Item 5 – Exemption from the Code of Procurement Practice – Provision of Support and Re-settlement Service

Councillor Gifford declared a Disclosable Pecuniary Interest in this matter because it involved Warwickshire County Council and he was a Warwickshire County Councillor. He left the room for the duration of this item.

24. **Minutes**

The minutes of the meeting of 30 June 2015 were taken as read and signed by the Chairman as a correct record.

25. **Grant Thornton Audit Committee Update**

The Committee received a report from Finance that set out the work undertaken for this Council by its external auditor, Grant Thornton, as well as key emerging issues.

The external auditors have been undertaking work in preparation for the 2014/15 Accounts. In addition, they have been unable to complete all work required to complete the 2013/14 audit and issue the relevant audit certificate as detailed in their report.

John Gregory, of Grant Thornton attended the meeting and responded to questions from members, he explained that:

- Three of the four objections to the previous sets of accounts have been resolved with no action for the Council. The decisions on these aspects had all been issued;
- The fourth objection cannot be resolved until a separate legal hearing had taken place, the date of which was outside the control of both the auditor and the Council;
- the additional fee for three objections was over £12,800 and while this had been agreed informally with the Council needed to be agreed by the relevant independent body;
- the cost of the fourth objection was likely to increase the overall cost by £3000 to £4,000; and
- there was a change in legislative arrangements from 2015/16 accounts onwards which would make the process, for the external auditor, of refusing an objection to the accounts much easier.

Resolved that

- (1) the Committee asked the Deputy Chief Executive & Monitoring Officer to disclose, to them, copies of the decisions on the objections to the Committee, as the Audit Committee for the Council so that they can be fully informed about any matters relating to the accounts of this Council.
- (2) the report be noted.

26. **2014/15 Annual Treasury Management Report**

The Committee received a report from Finance which detailed and reviewed the Council's treasury management performance for 2014/15.

Consideration of the Council's Treasury Management activities was within the remit of the Finance and Audit Scrutiny Committee hence, it is appropriate to report the Council's annual performance direct to this Committee.

The report follows the format used in the Treasury Management Strategy Plan and comments, where appropriate, on the Council's actual performance against what was forecast in the Strategy Plan. The Council

also has to comment upon its performance against its Annual Investment Strategy for the year

The 2014/15 Treasury Management Strategy and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, require that the Treasury Management function reports upon its activities during the year by no later than 30th September in the year after that which is being reported upon

Resolved that the Council's 2014/15 Treasury Management activities, be noted.

27. **Statement of Accounts and Annual Governance Statement 2014/15**

The Committee received a report from Finance which set out the draft Statement of Accounts 2014/15.

The accounts have been closed in respect of the financial year 2014/15 and the outturn duly reported to the Executive in June.

The draft Statement of Accounts 2014/15 had been produced and would be subject to Audit up to the end of September. The Audited Statement of Accounts would be presented to this Committee and Council in September for formal approval

As part of corporate governance, Members had an important role in overseeing the framework of internal control of the Council. Although the Statements are still subject to audit, it was considered helpful to Members to get an early sight of them.

Resolved that the pre-audit Statement of Accounts, be noted.

28. **Review of Cultural Services Risk register**

The Committee considered the Cultural Services Risk Register as part of their responsibility for managing the risks of the Council.

The Head of Service for Culture and Portfolio Holder for this item attended to respond to questions.

The Committee were pleased with the risk register which in their view was very good.

There were concerns over the Golf contract and welcomed the proposal that a detailed report is brought back to them in September.

The Committee also welcomed the update, from the Head of Housing & Property Services on the planned works for the Pump Room roof and that a procurement of a contract to assess the issues and how to manage them was underway.

Resolved that the

- (1) the risk register be noted;
- (2) a report be brought back to the Committee in September regarding the Golf Contract.

(Councillor Harrington left the meeting during this item)

29. **Progress Report on Enterprise Projects**

The Committee considered a report from Development Services that updated them on the operational performance of the Enterprise Projects, principally: Althorpe Enterprise Hub (AEH), & Court Street Creative Arches (CSCA). Brunswick Enterprise and Employment Zone (BEEZ) and Spencer Yard Phase 1 (SY) are included for financial purposes. In addition, this report provided an update on 26HT and also the business support and skills initiatives.

Resolved that

- (1) the report be noted;
- (2) in future this information is contained within the Portfolio Holder Statements.

30. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 1 July 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 1 July 2015:

Agenda Item 3 - Budget Review to 30 June 2015

The Committee noted the report.

Agenda Item Number 8A. Significant Business Risk Register

The Committee asked the Executive to reconsider the wording on the register item for the Local Plan, because it has been found as unsound and there are risks associated now associated with this which should be recorded.

(Councillor Butler left the meeting during this item)

31. **Business Plan Performance Management**

The Committee considered a report Housing & Property Services that updated them on the Housing Revenue Account (HRA) Business Plan Performance.

Since the original HRA Business Plan was approved by in March 2012, performance reports had been presented to Finance and Audit Scrutiny Committee on a bi-annual basis.

In addition the base business plan had been revised to reflect changes in performance and assumptions, with the latest business plan having been

approved by the Executive in March 2015. This was now the base business plan against which performance is measured.

A further review of the HRA Business Plan would take place in 2015/16 and be presented later this year to the Executive for approval. This would:

- Update the base business plan with all changes that had taken place
- Revise assumptions for the forthcoming period based on current information and knowledge.
- Take account of any housing policy changes proposed by the Government.

The HRA Business Plan Financial Framework for 2014/15, Appendix 1 to the report, set out the performance of the Business Plan for 2014/15. All numbers reflect the principal change effect and the consequent impact on cash flows and interest over the fifty year life of the Business Plan.

Compared to the HRA Business Plan projections approved in March 2015, there was a projected favourable variance of £4,114,000 for 2014/15, predominantly due to unavoidable delays in the development of Sayer Court slipping costs into 2015/16. There was an adverse variance of £27,933,000 over the remaining life of the 50 year life of the Business Plan, which was the equivalent of approximately £140,000 per year on average in current prices.

The Business Plan Financial Framework Exception Report attached at Appendix 2 detailed reasons and mitigations for the significant variations.

The adverse variance was due to a combination of internal and external factors.

Resolved

- (1) the performance outturn of the HRA Business Plan for 2014/15, be noted; and
- (2) the emerging Government policy changes detailed in the report, be noted.

32. Executive Agenda (Non Confidential Items & Reports) – Wednesday 1 July 2015

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 1 July 2015:

Agenda Item 5. Exemption from the Code of Procurement Practice – Provision of Support and Re-settlement Service

The Committee expressed disappointment in another request for an exemption to the procurement practice. While they noted the late decision by WCC on this matter they felt this report could have come forward to the Executive earlier.

The Committee recognised that if the WCC remove this funding there would be tough choices on this area of work.

That said the Committee supported the recommendations of the report.

Agenda Item Number 6. Exemption from the Code of Procurement Practice – Cost Management Services

The Committee were of the opinion that the Housing & Property Services contract register should have identified this issue earlier and ideally before the contract expired in May 2015.

That said the Committee supported the recommendations of the report.

Agenda Item 4. Gypsies and Travellers – update on the progress of the Development Plan Document to allocate sites

The Committee supported the recommendations in the report but had concerns about the wording of recommendation 2.4 regarding the use of compulsory purchase orders.

The Committee therefore recommended that recommendation 2.4 be amended so that it is explicit that Compulsory Purchase Options should only be a last resort.

Agenda Item 8B. Rural / Urban Capital Improvement Scheme (RUCIS) Application

The Committee asked the Executive that as there would be a significant underspend for this year, therefore could the Executive could confirm that this money will be rolled over to next years' budget?

(Councillor Mann left the meeting during this item)

31. 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 July 2015.

Resolved that the contents of the report be noted.

32. Review of the Work Programme & Forward Plan

The Committee considered its work programme for 2015/16 and the latest published version of the Forward Plan.

Resolved that

- (1) the report be noted;
- (2) a report be brought back to the Committee in September regarding the Golf Contract; and
- (3) the scrutiny of infrastructure costs associated with developments, should remain on the agenda, the first part of which should be the

S106 report to be considered at the next meeting.

33. **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 the relevant paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

34. **Confidential 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 July 2015.

Resolved that the contents of the report be noted.

(The meeting ended at 9.34 pm)