

**Finance & Audit Scrutiny Committee
End of Term Report 2021/22**

Chair's Introduction

It is the custom of the Chair of the Finance and Audit Scrutiny Committee to write an end of term report.

Following the tragic death of Councillor Jonathan Nicholls in March 2022 and as I have chaired the last two meetings, I have been asked to write this report and I would first like to pay tribute to him. As the Chair of Finance and Audit for the past 3 years he brought to the Committee his wealth of experience, insight, and sharp eye for detail. He was the ideal chairman, deftly handling our rare fractious moments, and ensuring that our meetings were not entirely without humour. His death is a shock to us all and a great loss to this Council.

Members of Scrutiny Committees bear a heavy responsibility reading upwards of 200 pages of reports before each meeting, scrutinising these on behalf of the residents of Warwick District and holding the Cabinet to account.

Ours is a statutory responsibility. It is through our concern with risk, our questioning and the constructive challenging of policies that we can help ensure the soundness of business cases and value for money.

The Finance and Audit Scrutiny Committee also has the responsibility of providing assurance on the processes and outcomes of internal audit and the identification of corporate business risks and their management; it approves the annual accounts and works closely with the Portfolio Holder for Finance, the finance team, and the external auditors, Grant Thornton.

This year, like the last, has been particularly challenging not only with the effects of the pandemic and with more grants to distribute, the sharing of services and proposed political merger with Stratford District Council and the ongoing work with the new housing company, now to be referred to as a service investment, and new waste management contract, but also for finance staff a complete change of the Financial Management System. The enormity of that achievement cannot be overstated. In addition they have been tasked with distributing several government grants including the council tax rebate, again no mean feat, and I would like to thank them for the way they have responded so admirably to each of these challenges.

I am aware of the close working between the two scrutiny committees; though F&A may disappear its role will continue in new formats which could reshape the way scrutiny is done more effectively.

I echo the words from last year of Councillor Nicholls in thanking the members of the Committee, the officers and all the Portfolio Holders for the open and constructive engagement they have brought to our work. We as a Committee are grateful to Grant Thornton, our external auditors, for their work and for bringing a wider external perspective to the District's financial audits.

Last, but by no means least, I would like express our special thanks to Mike Snow, Head of Financial Services, for his hard work, wisdom and expertise in guiding us over the years, and wish him a long and enjoyable retirement.

Councillor Sidney Syson

Items considered by the Finance & Audit Scrutiny Committee 2021/22

Audit Items

Internal Audit Quarter 4 2020/21 Progress Report
Internal Audit Annual Report 2020/21
Annual Governance Statement 2020/21
Progress Report on Replacement IT Systems
Anti-Fraud and Corruption Statement 2021/22
Measures taken to deter, detect, investigate and report fraud in respect of COVID business grants
Corporate Fraud Investigation Performance Report 2020/21
Audit of 2020/21 Accounts
Annual Treasury Management Report 2020/21
Treasury Management Activity Report for the period 1 October 2020 to 31 March 2021
Internal Audit Quarter 1 2021/22 Progress Report
Annual Governance Statement Quarter 1 Action Plan Report
Progress on Audit of Accounts and associated matters from External Auditors
Treasury Management Activity Report for period 1 April 2021 to 30 September 2021
Statement of Accounts and Audit Findings Report
Follow up report looking into the progress made by Just-Inspire in terms of their recovery
National Fraud Initiative Update
Annual Governance Statement 2020/21 Action Plan: Review of Progress
Internal Audit Progress Report: Qtr 2 2021/22
External Review of Internal Audit 2021: Update on Implementation of Recommendations
Statement of Accounts – Updated Audit Findings Report
Appointment of External Auditors
Revised Internal Audit Plan 2021/22
Internal Audit Quarter 3 Progress Report
Annual Governance Statement 2020/21 Action Plan: Review of Progress
Internal Audit Plan 2022-23 and Internal Audit Charter 2022-23
Value for Money Report – Delay to Auditor’s Annual Report
Significant Business Risk Register Review
Value for Money Conclusion

Scrutiny Items

Approach to the Scrutiny of the Proposed Merger of Warwick District Council
Update on the Joint Work with SDC

The other items covered within the scrutiny aspect of the agenda were all matters contained within the Cabinet agenda. The record of these items are listed in the section below.

Routine Items

Review of the Work Programme, Forward Plan and Comments from the Cabinet

Cabinet Items Considered by the Committee

(This section details the comments and recommendations made by the Finance & Audit Scrutiny Committee to the Cabinet on reports being considered by the Cabinet. The decisions made at the Cabinet meeting have been detailed if the decision was different to the recommendations in the report.)

7 July 2021

7. Significant Business Risk Register

The Finance & Audit Scrutiny Committee asked the Cabinet to update Risk 8 to remove the details regarding the work on the commercial investment strategy to reflect the change in Risk 6.

The Committee noted that in the next update it was likely to include a specific risk in reference to the proposed merger with Stratford-on-Avon District Council.

Response from the Cabinet:

The recommendations in the report were approved.

12. Future High Streets Fund Award for Royal Leamington Spa

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

Response from the Cabinet:

The recommendations in the report were approved.

13 Financial Support – Everyone Active Leisure Contract

The Finance and Audit Scrutiny Committee recommends that the wording within recommendation 2.4 is amended to correct the accounting year to 2021/22 and that the decision only be made in principle subject to a further report that will come forward in the autumn and will reflect further discussions with Everyone Active in the light of its updated financial projections following the easing of Covid restrictions and any other relevant factors.

The Committee noted the latest understanding is that all restrictions will end on 19 July and that officers were continuing to work with Everyone Active to confirm their programme.

Response from the Cabinet:

Councillor Bartlett thanked the Finance & Audit Scrutiny Committee for the good assessment of the paper and good rigour around the recommendations. Following the discussion with the Chair of the Finance & Audit Scrutiny Committee, he stated that an amendment to recommendation 2.4 had been made to ensure the proportionality of the concession waver matched the current state of play, to read:

“2.4 Agree that the EA concession fee due to the Council for 2021/22 is waived in proportion to the point in the financial year when WDC is satisfied that no further subsidy is required by EA and a concession fee, however small, can be paid by EA to WDC. The consequent funding shortfall of up to £1.25mill will be met from the Government’s Income Compensation Scheme (est £165k) and the provision included in the Budget provided for potential non-recovery of income within the Budget”.

Councillor Bartlett proposed the report as laid out, and subject to the amendment to recommendation 2.4.

14 Costs of Proposals of Joint Senior Management Team

The Finance & Audit Scrutiny Committee noted the quarter 1 budget update will come to August Cabinet and will set out the progress in respect of the MTFs and the agreed savings being achieved.

Response from the Cabinet:

Councillor Day thanked the Committee and Group Leaders for their comments. He also commended the Chief Executive for the amount of work that had gone on in engaging with Heads of Service, and the goodwill involved had been extraordinary. He then proposed the report as laid out.

11 August 2021

4 Final Accounts 2020/21

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

Cabinet Response:

The recommendations in the report were approved.

7 Risk Management Annual Report 2020/21 and Strategy

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members wished to make clear that section 9.2 of the report should be clarified to reflect that the merger of Warwick District Council and Stratford-on-Avon District Council had not yet happened and was a possible merger at this stage.

Cabinet Response:

Councillor Hales was happy to accept the amendment from the Finance & Audit Scrutiny Committee to section 9.2 of the report to read "**Proposed** Merger of Warwick District Council and Stratford-on-Avon District Council", and he then proposed the report as laid out with the above amendment.

8 Project Funding for Castle Farm Leisure Centre and Abbey Fields Swimming Pool

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members noted the undertaking to align the categories of risk in the project risk register with the agreed categorisation of, and approach taken to, risks adopted by the Council in its Risk Strategy, and also noted that the project comprised of two separate contracts for Abbey Fields and Castle Farm.

Cabinet Response:

Councillor Bartlett thanked the Finance & Audit Scrutiny Committee for a good debate and for the pertinent questions it raised. He then proposed the report as

laid out.

22 September 2021

6 Q1 Budget Report

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

Response from Cabinet:

The recommendations in the report were approved.

9 Royal Leamington Spa Town Centre Transformation

The Finance & Audit Scrutiny Committee supported the proposals. Members expressed the view however that the Independent Chair of the Board should not also chair the Advisory Board given that each had different roles in the envisaged governance arrangements. The selection of the Chair and the members of the Board would be crucial to the success of the undertaking.

The Committee also welcomed the idea that the governance could evolve once the Independent Chair was appointed, and the work got underway and was therefore not set in stone. Members wished to also express the view that the groups represented on the Advisory Board should capture the breadth of expertise in Royal Leamington Spa, economic or otherwise and they therefore welcomed the fact that the groups listed were at this point examples and not exclusive.

Response from Cabinet:

The recommendations in the report were approved.

13 Low Carbon Enabling Development

The Finance & Audit Scrutiny Committee supported the recommendations in the report. In so doing, Members raised concerns about the need to invest appropriately in executive capacity to deliver such big projects, given that at least initially it was proposed that the project would be taken forward by the Programme Director for Climate Change.

Response from Cabinet:

The recommendations in the report were approved.

3 November 2021

5 Fees and Charges

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

Cabinet response:

The recommendations in the report were approved.

12 Significant Business Risk Register

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members noted the intent was that once there was a decision on the potential merger, the Significant Business Risk Register would include a specific risk on that topic. The Committee also noted the redundant wording in the Climate Change Risk relating to the Council Tax Referendum, which was no longer a possible trigger.

Cabinet response:

The recommendations in the report were approved.

Urgent Item - Princes Drive Rail Bridge Refurbishment and Public Art Project

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members were satisfied for the reasons for the late circulation of the report.

Cabinet response:

The recommendations in the report were approved.

8 December 2021

4 Proposal to create a South Warwickshire District Council

The Finance and Audit Scrutiny Committee requested that before the Council meeting on 13 December, Councillors should be provided with a new financial table that consolidated the most recent estimates of the financial case based on the savings to be achieved over the period to 2025/2026. The table should include the investments to secure those savings (the three tranches of £1.5m) and should distinguish the savings that would be achieved through service integration and those that could only be achieved from political merger.

The Committee believed that this information would supplement and provide a single point of reference for the financial case for merger from the original information in the Deloitte Report from January 2021 (Appendix 1 to the report), the more recent analyses from the LGA (Appendices 4 and 5) and the financial information provided by the Head of Finance (Appendix 12).

The Committee noted the importance, should a political merger be approved, of harmonising Council Tax between the two current Districts Councils, noting that differences in Parish and Town Council precepts added a further complicating factor in how this would be achieved and over what period. In the opinion of the Committee, the plan for harmonisation would be closely linked to the proposed discussions with the Warwickshire Association of Local Councils (WALC) and representatives of parishes and towns about the devolution of powers, responsibilities and assets.

The Committee considered the Programme Risk Register (Appendix 6). It noted that this superseded the risk assessment made by Deloitte in its report. The Committee expressed a view that the risk ratings for PR004 and PR007 ("democratic deficit" and "integration of culture") were underscored but accepted

that the Register was dynamic and the Committee would have the opportunity to consider future iterations of it should the programme go ahead.

The Committee also thanked officers and Members for the significant work that had gone into the report and the appendices, and for the balanced way in which they were written.

Response from Cabinet:

In response to comments from Scrutiny Chairs, the Leader clarified these in consultation with the Chairs of the Scrutiny Committees during the meeting. As a result, responses were proposed by the Leader for the Cabinet to consider. These were agreed as set out at resolutions four and five below.

(4) In response to the comments from the Finance and Audit Scrutiny Committee, the Cabinet asked the Chief Executive to circulate to all Councillors confirmation of the savings that other District Councils have achieved through political merger.

(5) All the officers involved for this exemplary report and all Members for their cross-party work on this be thanked.

Response from Council:

Council resolved that a formal submission be made to the Department for Levelling Up, Housing and Communities to create a South Warwickshire District Council. It also resolved that a joint member working group be established to review the issues raised in Section 4 of the report and in addition to agree that the working group works with WALC and other key parish and town councils to undertake a community governance and function review for South Warwickshire.

A consultation with staff and Trades Unions on options for addressing harmonisation of staff terms and conditions including pay was agreed but if there was failure to agree or if Council did not agree the terms, an emergency Council meeting would be arranged in early January so that a revised strategic approach could be considered prior to the setting of the annual budget for 2022/23 and beyond.

5 Quarter 2 Budget Report

The Finance & Audit Scrutiny Committee supported the recommendations in the report. The Committee also welcomed the fact that the Everyone Active (EA) forecast income was showing a positive variance. The Committee requested an analysis of the income received from EA to-date for each year of the current contract including compensation from the Government during the Covid-19 pandemic for lost concession fees.

Response from Cabinet:

The recommendations in the report were approved.

7 Housing Revenue Account Business Plan Review 2021

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

Response from Cabinet:

The recommendations in the report were approved.

10 Outdoor Sports Review Proposed Delivery Models for Council Owned Facilities

The Finance & Audit Committee recommended to Cabinet that recommendation 4 in the report should be amended to specifically include reference to basketball facilities, to read:

“4) That a procurement exercise is undertaken to appoint one or more tennis operators to run community-based tennis programmes at the Council’s four tennis venues. The procurement will make explicit that the tennis programmes are to take account of the basketball facilities at Christchurch Gardens and Abbey Fields and will permit basketball to continue at these venues.)”

The Cabinet was required to vote on this because it formed a recommendation to them.

The Finance and Audit Scrutiny Committee raised a question whether using a different model for tendering could be looked at and discussed with the Portfolio Holder for Culture, Tourism & Leisure and Chair of Finance & Audit Scrutiny Committee.

The Committee also recognised that the Council was bound by its Standing Orders in how it conducted procurement exercises. Nonetheless, the Committee wished to encourage an approach to the proposed tender that required evidence of excellence and the achievements of the outcomes that the Council wished to see from the new strategy as well as commercial innovation in providing the wider access and participation it sought.

Response from Cabinet:

The recommendations in the report, along with the recommendations from the Overview and Scrutiny Committee & the Finance and Audit Scrutiny Committee.

12 Costs Associated with the Re-Development of Waverley Riding Stables, Cubbington

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

Response from Cabinet:

The recommendations in the report were approved.

9 February 2022

4 Review of Warwick District Council Members’ Allowances Scheme - 2021

The Finance & Audit Scrutiny Committee raised a question from one of the political groups about the rationale for adopting the recommendations of the independent review regarding the increase in Special Responsibility Allowances in the current economic climate. It received clarification about the decisions that the Council

could take on the review, noting that the last review had been held in 2017 and there had been changes in the roles and expectations of those Councillors who held positions of responsibility and leadership subsequently as the review noted. It had no further questions on the review of the Scheme.

Cabinet Response:

The recommendations in the report were approved.

6 General Fund 2022/23 Budgets and Council Tax

The Committee noted the questions that had been raised in writing by Councillors regarding the Budgets and decision on Council Tax prior to the meeting. Some members expressed concern about the continuing impact of a freeze on Council Tax on the medium-term financial position for the Council. The Committee examined the rationale for the assumptions on inflation, wage increases and other factors, the reserves position, the need for further savings, and noted the financial pressures and risks in the medium-term financial statements, notwithstanding that a balanced budget was being proposed for 2022/23. It also noted the CFO's statement at Appendix 1. Overall, the Committee was satisfied that appropriate statements had been made about the assumptions in the Budgets and MTFs, and in the statements of risk and projections that lay behind the proposals.

Cabinet Response:

The recommendations in the report were approved.

7 Housing Revenue Account Rent Setting and Budget 2022/23

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

Cabinet Response:

The recommendations in the report were approved.

9 March 2022

5 Treasury Management Strategy 2022/23

The Finance & Audit Scrutiny Committee supported the recommendations in the report and thanked officers for all of their hard work, especially that the work carried out so quickly and timely for the disinvestment from the two equity funds. Members noted that the timing of disposals had saved taxpayers money, alongside meeting the Council's objectives of not investing in fossil fuel.

Cabinet response:

Councillor Hales also thanked the Finance officers and then proposed the report as laid out.

7 Community Infrastructure Levy (CIL) Projects List for 2022/23

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members emphasised the need to ensure the Council was getting value for money from projects.

Cabinet response:

The Group Observers supported the recommendations but expressed concerns over money availability.

Councillor Cooke responded to these concerns, stating that we needed to be flexible and prepared for the possibility that funding priorities would shift. He had been in discussions regarding the issue of value for money, but it was not easy to guarantee. He then proposed the report as laid out.

8 Annual Review of Regulation of Investigatory Powers Act (RIPA) Policy

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

Cabinet response:

The recommendations in the report were approved.

13 April 2022

4 Joint Governance – Stratford-on-Avon and Warwick District Councils

The Overview & Scrutiny Committee noted that the report had been withdrawn, that this may impact on the planned integration of services with potentially a delay to this. There were concerns around this and the Leader agreed to provide clarification on the impact of this to Cabinet next week for all Councillors.

The Finance & Audit Scrutiny Committee noted that these items had been withdrawn from the Cabinet agenda and thanked Councillor Hales for attending. They welcomed the fact that all Councillors and staff, who are our most important asset, would be informed why these items had been withdrawn.

5 Inter-Authority Agreement between Stratford-on-Avon and Warwick District Council

The Overview & Scrutiny Committee noted that the report had been withdrawn, that this may impact on the planned integration of services with potentially a delay to this. There were concerns around this and the Leader agreed to provide clarification on the impact of this to Cabinet next week for all Councillors.

The Finance & Audit Scrutiny Committee noted that these items had been withdrawn from the Cabinet agenda and thanked Councillor Hales for attending. They welcomed the fact that all Councillors and staff, who are our most important asset, would be informed why these items had been withdrawn.

6 Amendments to the Constitution

The Finance & Audit Scrutiny Committee asked for all Councillors to be informed of how many Cabinet decisions, in the last 12 months, would have moved from being key decisions to no longer key decisions based on the change in the definition in the report.

The Finance & Audit Scrutiny Committee was content with the report with the exception of the following points:

That the wording of the remit of the new Audit and Standards Committee should be revised to highlight its role in reviewing risk for the Council.

That officers investigate the potential for the PAB agendas and minutes to be made public. That there should be a more consistent approach to the work of the PABs, and the format of their minutes.

The Committee welcomed the acknowledgment that the first year of the Audit and Standards Committee would be a learning process.

Councillors felt that current reports created a perception that Warwick District Council is changing its structures and procedures to align with Stratford District Council, and hoped that future reports will indicate where the reverse situation occurs.

Cabinet response:

The recommendations in the report were approved, including the recommendation from the Finance & Audit Scrutiny Committee that the wording of the remit of the new Audit and Standards Committee as defined at Appendix 2 to the report should be revised to highlight its role in reviewing the risk for the Council, and subject to the following amendment to recommendation 1 to read:

- (1) it approves the definition of a key decision ~~aligns with proposals for the Joint Cabinet Committee and the value set by Stratford-on-Avon District Council,~~ as set out at Appendix 1 to the report.

8 Significant Business Risk Register

The Finance & Audit Scrutiny Committee noted the risk register.

Cabinet response:

The recommendations in the report were approved.

14. Creative Quarter / Future High Street

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

Cabinet response:

The recommendations in the report were approved.