

**Finance & Audit Scrutiny Committee
End of Term Report 2019/20****Chair's Introduction**

It has been a privilege to have been the Chair of the Finance and Audit Scrutiny Committee for the past year. Scrutiny is a statutory responsibility. At its best, it ensures that all Councillors and the public can be reassured by the effectiveness of the constructive challenge and questioning of policies brought forward by the Executive, that business cases are sound, and that value for money is at the forefront of decision-making. The Committee is therefore responsible for holding the Executive to account, and for examining the risks and resources in the delivery of services and amenities to residents in the District. 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. Internal audit not only tests assurance but also offers a window on the often invisible but vital work of many Council departments. Taken as a whole, the work of the Committee provides a system-wide map, through the lens of finance and risk, of how well the Council is performing. It also approves the annual accounts and works closely with the Portfolio Holder for Finance, the finance team, and the external auditors, Grant Thornton, to that end.

A welcome characteristic of the work of the Committee this past year has been the cooperative approach that it has adopted with the senior officers and the Executive in discharging its responsibilities. The Committee is determinedly apolitical and also determinedly independent in coming to its views. It is to be welcomed that those views have been taken seriously by the Executive and have led to the improvement of policies and decisions it has wished to adopt. At its heart, the Committee has securing the best outcome for the Council as a whole.

The spirit of cooperation has been no more evident than in the work on the climate emergency and the resulting action plan. We have also welcomed the excellent work that led to the accounts being prepared on time in 2019, following the difficulties encountered with meeting the statutory deadline in the previous year. Dialogue between members and between the Chair, the Portfolio Holder for Finance, and the Head of Finance, and the Audit and Risk Manager, between meetings, have also contributed to the deeper spirit of cooperation and consultation that I have wished to promote.

Nonetheless, the Committee has also begun to reflect on how it can find time for a more strategic and thematic reflection on the matters for which it is responsible. That reflection was halted by the lockdown in the light of the Covid-19 emergency. It is however a matter to which the Committee will return in order that it can continue to improve the way in which it is able to provide oversight in the interests of the District's residents.

I wish to thank the members of the Committee, the officers and all Portfolio Holders for the open and constructive engagement they have brought to our work. And to express my and the Committee's gratitude to Grant Thornton, our external auditors, for their essential work and for bringing a wider external perspective to the District's financial audits.

Councillor Jonathan Nicholls

Items considered by the Finance & Audit Scrutiny Committee 2019/20

Audit Items

2019:

Internal Audit Quarter 4 2018/19 Progress Report
Internal Audit Annual Report 2018/19
Annual Governance Statement 2018/19
2018/19 Annual Treasury Management Report
Treasury Management Activity Report for the period 1 October 2018 to 31 March 2019
Anti-Fraud and Corruption Statement 2019-20
Finance – Service Area Update
Statement of Accounts and Audit Findings Report 2018/19
Internal Audit Quarter 1 2019/20 Progress Report
Risk Management Annual Report
National Fraud Initiative Update
Corporate Fraud Update
Treasury Management Activity Report for the period 1 April 2019 to 30 September 2019
Managing Securities in Council Contracts Update Report
Annual Audit Letter 2018/19
Internal Audit Quarter 2 2019/20 Progress Report

2020:

External Audit Progress Report

Scrutiny Items

2019:

Significant Business Risk Register
Update on Action Plan following Review of Closure of Accounts
Finance – Service Area Update
Housing & Property – Service Area Update
Update on Action Plan following Review of Closure of Accounts
Neighbourhood Services – Service Area Update
Pump Room Gardens Restoration Project
Procurement Progress update – annual for financial year 2019/2020
Significant Business Risk Register
Development Portfolio – Service Review
Closure of Accounts Review
Summary of the new Council house programme purchased or constructed since 2015
Environment & Business Portfolio – Service Review
Financial implications of the delayed HQ relocation

2020:

Strategic Leadership / Chief Executive – Service Area Update
Significant Business Risk Register

Routine Items

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

Executive Items Considered by the Committee

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

9 July 2019:

Commonwealth Games 2022 (CG 2022) – CWLEP funding bid

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Local Football Facilities Projects

The Committee supported the recommendations in the report.

Response from the Executive:

The Portfolio Holder for Culture, Councillor Grainger, thanked the Scrutiny Committee for the very good questions raised ahead of the meeting and proposed the report as laid out.

Project Officers – Cultural Services

The Committee supported the recommendations in the report.

Response from the Executive:

Councillor Grainger, the Portfolio Holder for Culture, reminded Members that there were some very big projects coming forward, and as one project was expected to finish, another one would be coming along.

The recommendations in the report were approved.

WDC Discretionary Housing Payment Policy Review

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Service Area Plans for 2019/20 & Fit For the Future Change Programme Update

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

New contract terms for Internal Health and Safety IT system – AssessNet

The Committee supported the recommendations in the report.

Response from the Executive:

The Portfolio Holder for Health & Community Protection, Councillor Falp, emphasised that the Council was receiving a very good deal and thanked officers for all their hard work in securing this offer.

The recommendations in the report were approved.

Final Accounts 2018/19

The Committee received an addendum to the report that updated the table detailing the significant variations within the general fund so it includes the percentage or variation.

The Finance & Audit Committee noted the report.

Response from the Executive:

The recommendations in the report were approved.

Recording & Broadcasting of Council meetings

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Significant Business Risk Register

The Committee noted the report.

Response from the Executive:

The Significant Business Risk Register attached at Appendix 1 to the report, be noted; and the emerging risks identified in section 10 of the report, were noted

Update on Action Plan following Review of Closure of Accounts

The Committee received a briefing from the Council auditors (Grant Thornton) regarding an emerging issue for the potential increase in pension liability for the Council, as the result of a national case regarding public sector pensions. There is to be a formal conversation with officers on the potential need for the 2018/19 Accounts to be amended to reflect this before they are formally signed off by the Committee and Audit at the end of July.

The Committee took the opportunity to thank officers and Grant Thornton for their work completing the accounts on time.

Response from the Executive:

The recommendations in the report were approved.

Affordable housing purchase – Montague Road, Warwick

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Compulsory Purchase Order – Land at Warwick Road

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

20 August 2019:

Budget Review to 30th June 2019

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Warwick District Leisure Development Programme – Kenilworth Facilities

The Committee supported the recommendations in the report.

Response from the Executive:

In response to a question from Councillors, officers explained that they were aware of the traffic and parking situation at Castle Farm, and this remained a main concern for the development. Officers were committed to involving the local community in the plans as they emerged, at both pre-application stage and through a consultation process.

Councillor Grainger, the Portfolio Holder for Culture, thanked residents, the RKL Group, Councillors and officers for all their hard work and input. She emphasised that there was a need for additional indoor swimming capacity in the District, and that the proposals would benefit a large variety of residents and meet their different needs year-round. The Council had every intention to keep residents involved in the development at Castle Farm as much as possible and as early as possible. Officers produced a very high level piece of work regarding cold water swimming, and that would also be considered.

Councillor Grainger proposed the report as laid out, with the addition of a note regarding the Council's support should Kenilworth Town Council wish to bring forward any proposals for a lido.

Relocation of Kenilworth School

The Committee supported the recommendations in the report, with a request that the Deputy Chief Executive (AJ) will request of ARUP, the developers, a clear description of the building design standards they are working towards, in view of the District's Climate Emergency.

Response from the Executive:

In response to the comments received from the Finance & Audit Scrutiny Committee, the Portfolio Holder for Development Services, Councillor Cooke, proposed the report as laid out, subject to an additional recommendation 2.4, to read: *"2.4 That Executive recognises the need to make the scheme deliverable and supports the ambitions of the school, however, it would like some reassurance regarding the building design standards and requests that a meeting be arranged with the Portfolio Holders for Environment & Business and Development Services and the trustees of the school."*

Risk Management Annual Report 2018/19

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Update on Action Plan following Review of Closure of Accounts

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

2nd Warwick Sea Scouts

The Committee supported the recommendations in the report. Further details were provided in the confidential Summary of Comments.

Response from the Executive:

The recommendations in the report were approved. Further details were provided in the confidential minutes of the Executive meeting.

PSP Warwick Limited Liability Partnership

The Committee supported the recommendations in the report. Further details were provided in the confidential Summary of Comments.

Response from the Executive:

The recommendations in the report were approved. Further details were provided in the confidential minutes of the Executive meeting.

26 September 2019:

Fees and Charges

The Committee noted that Everyone Active had 18 core prices on which they had held the price of 7 last year and had informally indicated that 4 of these would be held again this year. It was also noted that officers would seek a contract amendment, with Everyone Active, so that the proposed fees could be considered earlier.

Response from the Executive:

The recommendations in the report were approved.

Significant Business Risk Register

The Committee noted the report.

Response from the Executive:

The recommendations in the report were approved.

Affordable Housing Purchase – Spring Lane, Radford Semele

The Finance & Audit Committee noted the report and that the scheme is self-funding.

For the sake of clarity, the Committee requested a report at its next meeting to confirm the number of new Council houses, purchased or constructed since 2015, the cost of these and the money available within the HRA budget for such projects. The report should also detail the number of house types (i.e. social, affordable, or shared ownership) within each scheme.

The Committee also took the opportunity to thank Mr Bruno for his work with the Council and wished him well for the future.

Response from the Executive:

The recommendations in the report were approved.

Regeneration of the Leper Hospital Site, Saltisford, Birmingham Road, Warwick (St Michael's Chapel and Master House)

The Committee noted the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Catering & Events Concessions Contract – Royal Pump Rooms and Jephson Gardens
Glasshouse – update report

The Committee noted the recommendation and that they would like to see a report following the first year of trading of the new arrangements.

Response from the Executive:

The recommendations in the report were approved.

12 November 2019:

Housing Services Redesign – Additional Budget Requirement

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Budget Review to 30 September 2019 and Other Financial Matters

The Committee supported the recommendations in the report.

Response from the Executive:

Councillor Hales, the Portfolio Holder for Finance, passed his thanks to Members of the Finance & Audit Scrutiny Committee and thanked Councillor Nicholls, the Chairman, for his hard work.

Council Tax Reduction Scheme 2020-2021

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Climate Change Emergency Action Plan Update

The Committee supported the recommendations in the report.

Response from the Executive:

Councillor Rhead, the Portfolio Holder for Environment and Business, emphasised that the report was only the very beginning of this work, and that Members would need to make a great resolve and prioritise this project in spite of the cost involved, details of which would be brought forward to the Executive in February 2020. He thanked the Scrutiny Committees for their very valuable work and then proposed the recommendations in the report and addendum as laid out.

Relocation of Kenilworth Wardens

The Committee supported the recommendations in the report but noted the risks concerning the possible sustainability and long term financial stability of Kenilworth Wardens Limited and asked the Executive that these risks be looked at carefully in the future.

Response from the Executive:

The Executive asked the Deputy Chief Executive (AJ) to seek reassurance from Kenilworth Wardens Limited regarding its governance arrangements, in particular, regarding the risks concerning the possible sustainability and long term financial stability of Kenilworth Wardens Limited.

Creative Quarter – Conclusion of Phase 1 and next steps

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Review of Final Accounts 2018/19

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

Asset Management Strategy

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.

17 December 2019:

Council Loans Policy

The Committee suggested to Executive that (1) they amend the Policy so that Officers can refuse loan requests that do not meet the criteria; (2) the policy clearly states it is for capital schemes only; and (3) there were some minor wording amendments that the Deputy Chief Executive would feedback to the Executive.

Response from the Executive:

Councillor Hales, the Portfolio Holder for Finance, accepted the suggestions from the Finance and Audit Scrutiny Committee and asked officers to include these changes in the final draft of the proposal. He thanked Councillor Nicholls, Councillor Syson and officers for all their work on this project and proposed a report as laid out.

General Fund Base Budgets 2020/21

The Committee noted the report and the addendum with regard to Shakespeare England.

Response from the Executive:

The recommendations in the report were approved.

Housing Revenue Account (HRA) Base Budgets 2020/21

Committee noted the report and that paragraph 8.2.4 is included by error and should not be considered.

Response from the Executive:

Councillor Matecki proposed the report as laid out, subject to the removal of paragraph 8.2.2 in the report.

Rural/Urban Capital Improvement Scheme (RUCIS) Changes

The Committee noted the report.

Response from the Executive:

Councillor Grainger thanked the Finance team for bringing the report forward and emphasised that the Overview and Scrutiny Committee would continue to play a big role in making sure that the funds were distributed evenly in both rural and urban areas.

Councillor Hales, the Portfolio Holder for Finance, proposed the report as laid out.

Relocation of Kenilworth School – playing pitch strategy and land purchase

The Committee were appreciative of the assurances from the Deputy Chief Executive in respect of the current governance structure for the project and the opportunities this project provided for the Council. The Committee noted the report.

Response from the Executive:

The recommendations in the report were approved.

Finance Systems Replacement

The Finance & Audit Scrutiny Committee supported the recommendations in the report and recommended to the Executive that a non-Executive member should be on the Project Board for the report.

Response from the Executive:

Councillor Hales, the Portfolio Holder for Finance, supported the recommendation from the Finance and Audit Scrutiny Committee and proposed the report as laid out, subject to an additional recommendation 2.3 to read, “a non-Executive Member be appointed on the Project Board for the report”.

Acquisitions and Disposals of Land and Property North of Gallows Hill, Warwick District Council

The Committee noted the report and that there was a known error with current Land Registry Certificate that Officers were in the process of resolving.

Response from the Executive:

The recommendations in the report were approved.

11 February 2020:

2020/21 General Fund Budget and Council Tax

The Committee noted the contents of the reports but had concerns about how the work on Climate Change Action Plan will be funded if the proposed increase does not get approved and in what time scale the changes proposed would occur.

They noted the intense programme to bring proposals forward to mitigate the budget deficit that are set within the Medium Term Financial Strategy. Therefore, the use of the business rate volatility deficit as a one off use up to 2022/23.

They also noted it would be very important for Scrutiny and all Councillors to ensure if the Climate Action Fund is not used for works other than the action plan agreed by Council and to ensure this was communicated to the public.

The Committee recommends to the Executive that the cost of the referendum comes from the new homes bonus and the proposed allocation to the service transformation reserve for the next year is reduced by the same amount.

The Committee had concerns with the cost of the climate change programme director role being funded from the ring fenced climate change emergency because the original position was for this to be paid from the new homes bonus and this could be a cause of concern for the general public if a referendum was to take place. The Committee asked the Executive to check that it was comfortable with the proposed funding for the role and if it was not a correct use of the climate change emergency how would the post be funded without impacting on projects across the Council proposed within the new homes bonus funding plan.

The Committee asked for details to be circulated of how the Planning Appeals Reserves was calculated for future years.

Response from the Executive:

On behalf of the Executive and in answer to the recommendation from the Finance & Audit Scrutiny Committee and questions from the Group Leaders, Councillor Day advised that it had always been the Executive's view that the cost of the referendum should come from the New Homes Bonus. He thanked the Finance & Audit Scrutiny Committee for the comments made and for noticing this error in the report.

In answer to the concerns raised by the Finance & Audit Scrutiny Committee, the Chief Executive reminded Members that when the Programme Director for Climate Change role was initially proposed, the intention had been to fund it from the New Homes Bonus. However, in the meantime, further proposals were made in relation to the council tax referendum. The Chief Executive reminded Members that the new post was specifically for climate change.

Councillor Hales, the Portfolio Holder for Finance, thanked Councillor Nicholls for his comments and support. He reminded Members of the significant savings that the Council would need to make over the coming years. He then proposed the report, subject to the amendments in the addendum and following changes:

- a) the amendment proposed by Finance & Audit Scrutiny Committee, that the cost of the referendum should come from the New Homes Bonus and the proposed allocation to the service transformation reserve for the next year should be reduced by the same amount; and
- b) an amendment to fund the Programme Director for Climate Change role for 2020/21 financial year from the New Homes Bonus and the proposed allocation to the service transformation reserve for the next year should be reduced by the same amount.

Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents
The Committee noted the report.

Response from the Executive:

The recommendations in the report were approved.

Warwick District Climate Emergency Action Programme

The Committee supported the recommendations in the report and thanked officers involved for the hard work in bringing the report forward.

Response from the Executive:

Councillors Falp, Grainger, Hales and Matecki emphasised the benefits of the cross-party collaboration and thanked officers and the Portfolio Holder for what had been achieved in a short period of time.

Councillor Rhead, the Portfolio Holder for Environment and Business, saw this as the most important decision taken in his years of service as a District Councillor, and emphasised how essential it was to develop a good communications strategy. He then proposed the report as laid out.

Discretionary business rates relief as a tool for business growth and inward investment

The Committee supported the recommendation in the report.

Response from the Executive:

The recommendations in the report were approved.

Significant Business Risk Register

The Committee asked for the Executive to review Risk 16 for climate change, in light of the declared climate change emergency and associated report, because it has risk score of a low likelihood and low impact.

The Committee asked that in future Risk Registers should show an indicative timeframe for completion of actions listed within the mitigation.

Response from the Executive:

Councillor Day welcomed the comments from the Finance & Audit Scrutiny Committee especially regarding Risk 16, and asked that this be changed with immediate effect. He then proposed the report as laid out.

Purchase of Land for Affordable Housing – Europa Way, Warwick

The Committee supported the recommendations in the report.

Response from the Executive:

The recommendations in the report were approved.