

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 22 September 2021 in the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Nicholls (Chair); Councillors: Ashford, R Dickson, Grey, Illingworth, Luckhurst, Syson and Tracey.

**Also present:** Councillor Cooke (Portfolio Holder for Place and Economy) and Councillor Hales (Portfolio Holder for Transformation).

## 31. Apologies and Substitutes

- (a) apologies for absence were received from Councillors Davison and Heath; and
- (b) there were no substitutes.

## 32. Declarations of Interest

There were no declarations of interest.

## 33. Minutes

The minutes of the meetings held on 7 July 2021 and 11 August 2021 were taken as read and signed by the Chair as a correct record.

## 34. Internal Audit Quarter 1 2021/22 Progress Report

The Committee received a report from Finance that reported on the progress in achieving the Internal Audit Plan 2020/21, summarised the audit work completed in the first quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

Two audits were completed in the first quarter of 2021/22. Both audits were awarded a substantial assurance opinion.

The Internal Audit reports relating to the audits completed in the quarter were available for viewing on the online agenda for the meeting.

The action plans accompanying these reports were set out for separate scrutiny as Appendix 3 to the report. This detailed the recommendations arising together with the management responses, including target implementation dates. As could be seen in the Appendix, responses had been received from managers to all recommendations that were made.

In a change to previous reports, a new method of following up on recommendations had recently been implemented. Rather than seeking to determine the implementation status of recommendations after a set period (either three or nine months, depending on the risk rating assigned to the recommendation), the recommendations were now followed up once the implementation date had passed. Officers were also now able to provide an

update as soon as they had completed the agreed action, as opposed to waiting to be chased for a response.

As this was the first time that this process had been used, there were a relatively large number of recommendations included within the report. This was because there were a number that were due to be followed up under the old process where the implementation date has already passed in addition to those that were due to be completed within this quarter. In future, the reports would cover only those that were due to implemented in the relevant quarter.

Where officers had not completed the recommendation in line with the original target date, they were now being asked for a new date by which the agreed action would be completed. If this was not met, this would be flagged separately in future reports to Finance & Audit Scrutiny Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).

The state of implementation for all relevant recommendations was set out in Appendix 4 to the report, including two recommendations where no response had been forthcoming.

With regards to the outstanding responses, these related to actions that were shown as completed at the time of the final report which, historically, would not have been followed up. However, before agreeing to show the action as completed in the final reports, evidence was now sought of what had been done. Both these actions belonged to the Development Services Manager. No implementation dates had been amended.

**Resolved** that the report and appendices be noted.

35. **Annual Governance Statement 2020/21 Action Plan: Review of Progress**

The Committee received a report from Finance that reviewed the progress that was being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2020/21. The appendix accompanying the report set out the progress in addressing the Significant Governance Issues.

The governance issues facing the Council had been identified from production of the statutory Annual Governance Statement and were summarised in the Action Plan element of the Annual Governance Statement for 2020/21.

The appendix accompanying the report set out the progress in addressing those issues. Progress was reported by the officers leading on them and had been endorsed by the WDC members of the Joint Management Team at a recent meeting.

**Resolved** that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2020/21, be noted.

### 36. **Progress on Audit of Accounts and associated matters from External Auditors**

The Committee received a report from Finance. In accordance with the agreed Audit Plan, the Audited Statement of Accounts was due to be signed off by the Committee at this meeting. With the current working arrangements, there had been some delays to the completion of the audit. This was discussed more fully within the Audit Progress Report from the external auditors which formed part of the report the Committee considered, with the intention for the Accounts would be now signed off in November.

The external auditors also provided the following documents for the Committee's attention:

- Sector Update Report.
- Lessons from recent Public Interest Reports.

The draft 2020/21 Statement of Accounts was prepared ahead of the 31 July deadline, with the intention for the audits accounts to be published by the official deadline of 30 September. For reasons discussed within the appended report from the Council's external auditors, this would not be possible. The audit was still progressing, with the Audit Findings Report due to be reported at the Committee's next meeting, so enabling the accounts to subsequently be signed off.

Whilst it was disappointing that the accounts would not be signed off by the official deadline, the Council would be far from unique. Last year, a large proportion of audits were not signed off by the deadline, with many bodies expecting to be in this position for the 2020/21 Accounts.

In response to questions from Members, the Strategic Finance Manager advised that:

- The original audit plan was agreed in July, but was normally agreed in April. This had an impact on resource within WDC with the audit then having to take place in August, in this year particularly, usually a holiday season for staff with annual leave creating challenges. Key members of the audit team were also off unexpectedly, and there had also been a change in the audit team.
- The introduction of a new financial management system, which was expected to go live in few months, would help address some of the issues that had arisen in previous years.
- There was confidence that the new financial management system would be in place by November, and there was a target date of October for the rollout of training. Councillor Hales concurred and stated that an update had come from the project board to say the target date for training was 5 October.
- The national deadline for publishing the draft statement was 1 August, but WDC published on 19 July. The sign off of the statement of accounts deadline was 30 September, but that deadline would be missed, however that was not uncommon, particularly this year. Auditors had had challenges in recent years – 57% of audits were signed off by the deadline of 30 November in the previous year, and there was an expectation that would be lower for 2021.

- Typically, there would be a performance review meeting with Grant Thornton once everything had been signed, so a review process would likely take place in the new year, but ahead of next year's Audit, which would give an opportunity to work on how to progress going forward. In response to a suggestion from the Chair, once that performance review takes place, a subsequent report would be brought to the Committee

Councillor Hales, the Portfolio Holder for Transformation, advised that another of the complexities that the team had faced was that they had distributed unprecedented levels of grants, and he commended the staff for what they had dealt with and the additional pressures they had faced over the past year. Although other Councils had faced similar problems, there were lessons to be learnt that could be taken forward with the auditors.

**Resolved** that

- (1) the report, including the report of the external auditors, be noted; and
- (2) the Sector Update Report and the Lessons from recent Public Interest Reports, be noted.

**37. Cabinet Agenda (Non-Confidential items and reports) – Thursday 23 September 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 23 September 2021.

Item 6 – Quarter 1 Budget Report

The Committee supported the recommendations in the report.

Item 9 – Royal Leamington Spa Town Centre

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.

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

### 39. **Cabinet Agenda (Confidential items and reports) – Thursday 23 September 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 23 September 2021.

#### Item 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.

(The meeting resumed in public session.)

### 40. **Update of work with Stratford-on-Avon District Council**

The Committee considered a report from the Chief Executive which set out the progress of the work being done to enable effective Scrutiny of the proposals.

The report reiterated the vision agreed by both Councils and the reasons for undertaking this approach, set out work done to date, the next steps; the key benefits, and the key milestones and intended overall outcome.

Both Councils at their respective Full Councils agreed the following vision: *"To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford on Avon District Council and Warwick District Council by 1<sup>st</sup> April 2024."*

Reasons for undertaking this approach:

- Both Councils had significant financial pressures.
- Both Councils wished to continue to provide valued services to residents/businesses/local communities and improve them if possible.
- The two Councils had a good track record of partnership.
- There was a shared economic geography between the two Councils.
- There was a shared sense of community between the two Councils' areas.
- There was a very strong political relationship in place.
- The two Councils were within the same County Council area.

Work done to date (including ongoing work) included:

- Deloitte Report commissioned and agreed by both setting out the high-level business case for the creation of a single South Warwickshire Council.
- Vision stated above agreed by both Councils.
- The Cabinet Portfolios for both Councils were fully aligned.
- Jointly Tendering for the Refuse and Recycling Contracts.
- Developing jointly a South Warwickshire Local Plan.
- Developing a joint Regulatory Services Enforcement Policy.
- Developing a South Warwickshire Economic Strategy.
- Agreed a shared set of ambitions regarding the Climate Emergency.
- Joint Staff/HR policies agreed.
- Agreed and have appointed a Transformation Programme Manager and Programme Support Officer.
- Established a governance regime via the creation of an officer Programme Board (which meets weekly) and the Councillor led Joint Arrangements Steering Group (Reports and Notes of meeting available on the South Warwickshire Together Hub).
- Work on due diligence financially undertaken by LGA consultant and reported to JASG.
- Regular meetings with Unison (both branches) on a fortnightly basis.
- Communication Hub for all Staff and Councillors of both Councils established – South Warwickshire Together Hub.
- Leaders and CEOs meet fortnightly.
- Joint Management Team met weekly (started from 2 August with Head of Place and Economy appointed on 4 August – (2 vacancies immediately saved).
- Discussions had started with the Government regarding the creation of a single South Warwickshire Council.
- Agreed paper for public consultation proposals.
- Sharing experience and likewise gaining experience from joint work of other Councils including those who had merged and those who were also considering the same step.
- Update presentations given to Councillors, members of staff and Service Managers.
- Scrutiny Chairs of SDC/WDC had met.
- Start of public consultation on proposal from 6 September to 24 October – 600 representatives of the community directly surveyed; open form available for all to make their comments; stakeholders notified and asked for comments; focus groups for local residents; Parish/Town Council; community/voluntary; business.

The next steps included the following:

- Programme of Service Integration was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.
- Business Case for Joint Legal Service integration was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.
- Joint Policy for Enforcement and Business Regulation was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.

- Both Councils to consider the decision to make a formal application to merge the two organisations to create a single South Warwickshire Council – on Monday 13 December.

The expected benefits included:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategy.
- Enhanced partnership working.
- Increased presence, influence, and strategic voice.
- Increased service resilience.
- Improved customer experience – residents and business.
- Strengthened workforce opportunities arising from a larger workforce.

The key milestones were:

- Agreement to the business case to be submitted to Government on 13 December 2021.
- Approval granted by the Secretary of State within a year of the submission date.
- Shadow Council in existence from April 2023 – elections inc. those of Parish deferred for a year.
- All services merged by March 2024 having started the process in November 2021.
- New Council comes into life on 1 April 2024.
- Elections to new Council in May 2024.

The overall outcome would be that a new South Warwickshire Council which had a sustainable financial foundation and so was able to deliver better, transformed, and relevant services for the residents, businesses, and communities of the area.

Members were of the opinion that there might be concerns around democratic erosion as a result of fewer Councillors in a larger political geography. There might be areas of population that felt they might lose their sense of control / accountability for their neighbourhood. There might be a change in profile of what Councillors' roles were, with a much greater responsibility and larger populations to work with as a result of the possible merger. There were big differences in the distribution of populations between the two Councils, particularly with the distribution of people in the rural area of Stratford, and the size of Towns within both Districts. A concern was that this might alter the parish councils somewhat, or if rural areas were going to find themselves with different responsibilities.

In response, the Chief Executive advised that:

- There were differences in Parish/Town Councils in the two Districts: for example, parish/town councils in the Stratford area were also the burial authorities, whereas in the Warwick area WDC was, which placed an added workload for parishes in the Stratford area. The decision for town/parish councils should be collective in terms of the way they wanted to go forward.
- There was a difference in Council Tax raised for each authority; out of every pound spent, 8 pence went to SDC, and in WDC, it was 9 pence. Parishes in SDC received 3 pence, but in WDC, only 2 pence. In some

cases, the precept for parish/town councils was larger than the precept for the District, predominantly in Market Towns. The possible merger would not necessarily force changes, but might open up discussion points, for example if there was a proposition about greater devolution of activity to town/parish councils if they wanted it. That would be a choice, however, not a legal consequence of the possible merger.

The Chairman suggested that it might be useful to have set out what was a matter of policy and what was a matter of law, in terms of powers and funding that could potentially be devolved or delegated to town and parish councils.

In response, Councillor Hales advised that there was a consultation exercise currently taking place with town/parish councils, and those views would be considered when they came forward. The Council needed to listen to what they wanted and if that process was done correctly, town/parish councils could be empowered across both areas, but it would also be beneficial to see some of the concerns they had.

**Resolved** that contents of the report and appendices are noted.

#### 41. **Review of the Work Programme and Forward Plan & Comments from the Cabinet**

The Committee considered a report from Democratic Services that informed the Committee of its work programme for the 2020/2021 Municipal Year, as set out at Appendix 1 to the report, and of the current Forward Plan.

The Chair advised the Committee that there had been a discussion between him and the Chair of Overview and Scrutiny, and the Chair of the Scrutiny Committee at SDC, along with senior officers about the process leading to the vote on the possible merger on 13 December. The suggestion was at the point when the agenda for the December Cabinet meeting was published, there should be a briefing for all Councillors on the paper associated with the merger, so that Councillors could ask questions and understand it thoroughly, though this would not be the same as a scrutiny meeting. It was proposed that an informal group of the three scrutiny chairs and officers should meet prior to the paper being considered by the Scrutiny Committees, to discuss issues of common interest with the outcome being fed back to the Scrutiny Committees at their December meeting.

**Resolved** that the report be noted.

(The meeting ended at 7.38pm)

CHAIR  
3 November 2021