

**Finance & Audit Scrutiny Committee
End of Term Report 2020/21****Chair's Introduction**

It has been a privilege to have been the Chair of the Finance and Audit Scrutiny Committee for a second 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 the intention of securing the best outcome for the Council as a whole.

The Committee's work and that of the Council more widely has been dominated by responding to the pandemic, and planning recovery for communities, individuals, and businesses from it. We have met remotely via digital platforms but there has been no loss of quality in the scrutiny applied to the reports coming to our attention. Residents have been able to view meetings through a video channel live or by recording. The officers have also responded magnificently to the challenges that this last year has brought. It is a mark of particular credit, for example, that the internal audit programme was completed to its usual high quality despite the obvious difficulties that the team faced. We also congratulated the finance team for being able to ensure that the end of year financial statements were audited promptly within the government's extended timetable. No less rigour was applied by our external auditors and no significant weaknesses were reported.

The Committee worked closely with our colleagues on the Overview and Scrutiny Committee on the review of governance arrangements in the Council, on proposals for new local government structures in Warwickshire, and on a step-back review of the Council's response to the pandemic and what lessons could be learnt from that. We also welcomed the close working on how the two Committees could take a more strategic and thematic view of their duties in order to provide the most effective oversight in the interests of the District's residents.

The financial position of the Council was put under considerable strain by the pandemic. The Committee scrutinised quarterly budget reports and the development

of proposals for its budget for the 21/22 financial year with particular care. Notwithstanding the need to pay particular attention to the finances and risks of managing the immediate response to the pandemic, it is of great credit to the Portfolio Holders and staff in the Council that significant new initiatives also come to us for consideration, including the formation of a new local housing company, arrangements for the new waste and recycling contract for 2022 and plans for key elements of the Creative Quarter.

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 2020/21

Audit Items

Internal Audit Quarter 3 2019/20 Progress Report
Internal Audit Quarter 4 2019/20 Progress Report
Internal Audit Annual Report 2019/20
Annual Governance Statement 2019/20
Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020
2019/20 Audit of Accounts
2019/20 Audit of Accounts – Update Report
Audit Progress Report
TM Half Year Review (October to March 2020)
Treasury Management Annual report
Annual Governance Statement 2019/20 Action Plan: Review of Progress
Internal Audit Quarter 1 2020/21 Progress Report
Revised Internal Audit Plan 2020/21
Anti-Fraud and Corruption Statement 2020/21
Corporate Fraud Investigation Performance Report 2019/20
Statement of Accounts and Audit Findings Report
Treasury Management Activity Report for the period 1 April 2020 to 30 September 2020
Managing Securities in Council Contracts Update Report
Internal Audit Quarter 2 2020/21 Progress Report
Statement of Accounts and update from External Audit
Annual Audit Letter 2019/20
Internal Audit Quarter 3 2020/21 Progress Report
Internal Audit Strategic Plan 2021-24 and Internal Audit Charter 2021/22
Review of Internal Audit Service in Compliance with Public Sector Internal Audit Standards
Annual Governance Statement 2019/20 Action Plan Review

Scrutiny Items

The items covered within the scrutiny aspect of the agenda were all matters contained within the Executive 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 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.)

7 July Joint meeting of the Committees

3. Review of Local Government Structure in Warwickshire

The Committees supported the recommendations in the report.

They highlighted the Council needed to keep focused on the overall strategic advantages of working with Stratford and from possible local government reorganisation. Therefore, it should be mindful, on this twin track approach, that the project on working with Stratford does not pre-determine the possible shape of local government reorganisation or preclude possible working with other boroughs and districts where that would be beneficial for residents and provide value for money.

Response from the Executive:

The recommendations in the report were approved, subject to the addition of the following two recommendations:

2.4 That £35,000 is provided from the Service Transformation Reserve to fund the Council's contribution to the joint study and for additional support in respect of communications.

2.5 That the Cabinet of the County Council is asked to reconsider its informal decision to commission a separate business case for a single unitary council and instead to participate in the joint study with the other Borough and District Councils to look at all options and to listen to the public's views

4. Adoption of the Affordable Housing and Developer Contributions SPDs

The Committees were satisfied that the questions posed ahead of the meeting had been satisfactorily answered.

Response from the Executive:

The recommendations in the report were approved.

6. Final Accounts 2019/20

The Committees thanked the Head of Finance and his Team for the work on producing the draft financial statements for 2019/20 so promptly.

Response from the Executive:

The recommendations in the report were approved.

7. **Warwick District Leisure Development Programme – Kenilworth Facilities**

The Committees noted the recommendations in the report and requested that additional work be undertaken on; vehicle and active transport access to the leisure centres; and on their carbon neutrality.

(Councillors Redford and Grey requested that their support for the recommendations in the report be noted and Councillor Milton requested his objection to the recommendations in the report be noted.)

Response from the Executive:
The recommendations in the report were approved.

9. **Community Stadium and Associated Developments**

The Committees supported the recommendations in the report.

Response from the Executive:
The recommendations in the report were approved, subject to the following amendment to recommendation 2.2, to read that "The Executive recommends to Council approval of a sum of up to £345,460

Joint meeting 29 July Governance Review of Warwick District Council

The Committees supported the recommendations in the report but wanted to draw a number of points to the attention of the Executive that needed to be carefully monitored.

The Committees had concerns about the large remit of each PAB and how they would cope looking at such large areas of work. This was a specific concern that the listed areas were just projects and did not cover other work the PABs would look at, such as refinements to or creating new policies.

The Committees shared concerns that with the change to scrutiny of service provision, the development of and quality of service provision might not be adequately picked up by the scrutiny of RAG and KPIs that has been developed and which will be adopted.

They noted the dates in 2.2 and 2.7 for review should be combined so they were the same, and that the remit of the review should be produced in agreement with both Scrutiny Chairs.

The Committees appreciated clarification that the presumption would be for briefings to remain in the evening, in line with the protocol for arranging meetings with Councillors, but accepted this may mean some need to be held at the same time as other meetings.

The Committees made a general comment on the resources for Civic & Committee Services, that this proposal should be work neutral and therefore this element needed to be closely monitored and feedback on as part of the 6, 12 and 18-month review.

In addition, some members of the Committee raised concerns about:

- the loss of Shadow Portfolio Holder meetings and highlighted this could lead to more work for officers through more frequent questions/contacts from Councillors; and
- for providing an SRA for the role of Chairman of a PAB.

Response from the Executive:

The Executive thanked all Councillors who had participated in the series of Governance Review meetings that had taken place earlier in the year. It was explained that the approach was an attempt to emulate the successful shared working that was done previously by the Climate Emergency Group and the way that had brought forward talent from across the Council, often in a non-political way to deliver an important programme.

It was stated that the constitution of each PAB would begin with the selection of the Chair for each Board, and the Leader of the Council would meet with Group Leaders and bring back recommendations to the Leadership Coordinating Group from all Groups across the Council to Chair each Board. Selections would then be made in the hope of giving opportunity for the individual to grow and offer expertise to each individual Board. All Members, excluding those on the Executive and Chairs of Committees, would be invited to nominate on a first come first served basis for which PAB they wished to join.

The Executive explained that the size of each PAB had been chosen to keep each Board manageable, maintain good dialogue and so that one PAB group was not disproportionately bigger than another in order to spread opportunity.

The Executive emphasised that they would be relying on the cooperative work done through the Leadership Coordinating Group, with Group Leaders and Members of the Executive in order to monitor the work done and make any necessary adjustments to the approach. The aim was to ensure Councillors could have a more meaningful and worthwhile experience, and grow skills and leadership qualities that would be valuable for themselves and for their community.

The recommendations in the report were approved, subject to the amendment to the following condition:

2.7 The Executive approves an independent assessment of these arrangements is undertaken in February 2022 and officers are asked to bring back an outline proposal for this, in consultation with the Chairs of Scrutiny, in December 2021 along with proposed funding arrangements.

19 August

8. Quarter 1 Budget Report

Finance & Audit Scrutiny Committee

Members noted that whilst the report was a snapshot in time and still work in progress, there has been a significant impact on the Council's budget, showing a considerable deficit which needs to be addressed. The underlying deficit issue prior to Covid 19 has been exacerbated by the loss of income due to Covid 19.

The Committee acknowledged that the Council has a legal requirement to set a balanced budget, which has to take priority. With that in mind, Members felt that there are difficult decisions and choices to be made, for example how to fulfil the Council's Climate Emergency Action Plan in the changed financial situation it now faces.

The Committee wishes to comment to the Executive about the desirability of including a wider group of Members when it comes to reviewing what the Council will do in terms of the proposed savings or alternatives and the impact they may have. The Committee agrees with the Portfolio Holder for Finance and Business that there are some choices to be made by the Council in order for it to be able to set a balanced budget in February 2021. As a result, Members suggested arranging a different meeting involving a larger number of, or all, Councillors where they can consider the savings options and the income generating options, so that the right choices are made for residents, based on cross-party support and collaboration.

Response from the Executive:

The recommendations in the report were approved , subject to the follow amendment to recommendation 2,4, to read: *"That the Executive notes the impact of both current year and future years ongoing and forecast changes will have upon the Medium term Financial Strategy (MFTS), how these changes are expected to be accommodated, and where further savings / income generation need to be achieved to mitigate the deficit position to enable it to set a balanced budget for 2021/22 **and the 2020/21 Budget is duly updated to reflect the changes in Sections 3.1 and 3.5"**.*

9. **WDC Post Covid Recovery Strategy – Back to the Future**

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

Response from the Executive:

The recommendations in the report were approved, subject to the following amendments:

"2.3 The Executive agrees to fund the total estimated cost of the implementation steps of £292,600, to be funded as detailed in Section 3."

"2.5 The Executive agrees to the latest version of the General Fund Capital Programme, last agreed by Executive as part of the 2020/21 General Fund Budget and Council Tax Report".

30 September

3. **Risk Management Annual Report 2019/20 and Strategy**

The Finance & Audit Scrutiny Committee was satisfied with the proposals as set out in the report.

Response from the Executive:

The recommendations in the report were approved.

17 November

3. Fees and Charges

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

Executive Response:

Councillor Hales thanked the Finance and Audit Committee and the Programme Advisory Board for their advice. The recommendations in the report and addendum were approved

4 Sherbourne Resource Park – Proposal to become a partner Council

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

Executive Response:

The recommendations were approved.

6 Creative Quarter – Spencer Yard

The Finance & Audit Scrutiny Committee recommend to Executive that authority be delegated to the Deputy Chief Executive (BH) in consultation with the Chair of the Finance & Audit Scrutiny Committee, the Leader of the Council and the Portfolio Holder for Finance and Business, to further investigate and look in detail at the proposed Heads of Terms included in Confidential Appendix 2. Given the Council's unanimous support of the Climate Emergency Action Plan, Members ask that detailed terms on the environmental standards of the proposals be considered, and whether it is sensible to include environmental conditions into the lease. Members feel that the efficacy of those conditions is something the Programme Advisory Board should look at and monitor.

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

Executive Response:

Councillor Rhead, as the Portfolio Holder for Environment, stated that he was in support of the comments from the Finance and Audit Scrutiny Committee, but requested an amendment to the recommendation to ensure it would not affect the viability of the scheme.

Councillor Hales thanked officers for their time and efforts, and welcomed the input from both Scrutiny Committees. He was happy to accept the recommendation from the Finance and Audit Scrutiny Committee.

Councillor Nicholls, the Chair of the Finance & Audit Scrutiny Committee, agreed to the suggested amendment to the recommendation from the Finance and Audit Scrutiny Committee, to include "subject to not adversely affecting the viability of the scheme".

The recommendations in the report were approved, subject to the additional amended recommendation from the Finance and Audit Scrutiny Committee.

9 Significant Business Risk Register

The Finance & Audit Scrutiny Committee recommend to Executive to review Environmental Risk 16 on the Risk Register, "Failure to meet the District's ambition to be carbon neutral within specified timeframes", to more clearly indicate if this risk refers to the ambition to become carbon neutral as a Council, District or both together. Members felt that as it stood, this was unclear and would benefit from being broken down into different aspirations and their risks, or making it more clear if it is an overarching risk for the whole programme.

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

Councillor Rhead suggested an amendment to this recommendation, to clarify that there were two separate targets, one for the District and one for the Council.

Councillor Nicholls, the Chair of the Finance & Audit Scrutiny Committee, agreed to Councillor Rhead's suggested amendment, to include: "Failure to meet the District's ambition to be carbon neutral within specified timeframes, be split in two risks that refer to the ambition to become carbon neutral as a Council and as a District".

The recommendations in the report were approved, subject to the additional amended recommendation from the Finance and Audit Scrutiny Committee.

9 December

General Fund Financial Update

The Finance & Audit Scrutiny Committee noted the recommendations in the report and asked the Executive to provide further detail and the financial rationale between the Climate Emergency Action Plan and the £500,000 mentioned in recommendation 2.5. More specifically, whether the £500,000 is intended to be the first increment in a longer-term reserve that will fund agreed projects in the Action Plan and also be used to leverage more money through government and other grants. In that latter context, it would be helpful to have an indication of the ambition for the scale of the fund that might be generated to meet the Council's targets.

The Committee noted that there were still a number of aspects which were not known at this time, such as the impact on Business Rates and New Homes Bonus arrangements, and looked forward to further detail in the Budget report, to be brought forward in February 2021.

Response from the Executive:

Councillor Rhead, the Portfolio Holder for Environment, thanked the Finance and Audit Scrutiny Committee for its comments, and stated that there had been discussions at the Climate Emergency PAB pre-meeting on this matter. He explained that there was a pathway to underscore what was being set out for the proposed budgets. It was important to realise that this was a new path other than the referendum that was proposed in 2020, but the details against that referendum still stood in good stead because the Climate Emergency

Action Plan would still be implemented, and he hoped and trusted that the amount raised would induce other payments from other areas and grants.

Councillor Hales, the Portfolio Holder for Finance and Business, explained that the intention was that the £500,000 that was put aside would continue to be set out in the budget for the remainder of this Council, and fundamentally, all Councillors had signed up to the Climate Emergency.

The Leader thanked Councillor Nichols, and he explained that the genus of this fund was a financial engine to drive the Climate Emergency Action Plan, and accepted this needed to be shaped further and work would take place to provide more detail for the February 2021 Executive meeting.

The recommendations in the report were approved.

6. **Housing Revenue Account Business Plan Review 2020**

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

Executive Response:

The recommendations in the report were approved.

5&12. **Formation of a Local Housing Company**

The Finance & Audit Scrutiny Committee noted the report and confidential appendices. It expressed concern about the robustness of the governance arrangements for the delegation of powers for approving loans in paragraphs 2.6.1 and 2.8 of the report, while recognising the need to balance the ability to act swiftly with appropriate oversight and scrutiny. Following the meeting, in discussion between the Chair of the Committee, the Deputy Chief Executive and Monitoring Officer, and the Portfolio Holder for Housing and Property, the latter has proposed amendments to the report as set out below:

"2.6 That subject to the approval of recommendation 2.3, Executive agrees that it:

2.6.1 Delegates authority to the **Deputy Chief Executive & Monitoring Officer**, Head of Finance and the Deputy Chief Executive (BH), following consultation with the Portfolio Holders for Housing and Property and Finance, **Chair of Finance & Audit Committee and the Chair of the Finance PAB**, to agree the terms and conditions of, and approve loans up to a value of ~~£56.835m~~ **£11.625m**.

2.8 That subject to agreeing recommendation 2.7, Executive agrees to delegate authority to the Chief Executive, Head of Finance and Deputy Chief Executive & Monitoring Officer, in consultation with the Group Leaders, noting that this includes the Chair of Finance & Audit Committee, **and the Chair of the Finance PAB**, to approve a loan request from the JV and determine the terms and conditions of the loan, having taken appropriate legal and commercial advice, and it is then recommended to Council that the capital programme is adjusted to reflect the loan to the JV funded by PWLB borrowing subject to

Council approving changes to the Prudential Indicators as detailed in a further report.”

Response from the Executive:

Councillor Matecki thanked officers for their hard work in getting the report done so quickly, and expressed his pride at the work the Housing team had undertaken. He then proposed the report as laid out in the addendum, subject to the amended recommendations proposed by the Finance and Audit Scrutiny Committee.

11 February

6. General Fund Budget and Council Tax 2021/22

The Finance & Audit Scrutiny Committee supported the report and took the opportunity to thank all officers for their work in bringing forward the budget for the Council in these challenging times.

Response from the Executive:

Councillor Hales thanked the Head of Finance and officers who had worked so diligently in producing the budget in recent months, and he thanked the Finance and Audit Scrutiny Committee. The recommendations in the report were approved.

8. Treasury Management Strategy 2021/22

The Finance & Audit Scrutiny Committee noted the report and welcomed the approach of PAB picking up the initial work in this area in respect of the potential Environmental, Social and Governance investment and joint working with Stratford District Council.

Response from the Executive:

Councillor Hales thanked the Finance and Audit Scrutiny Committee Members for their questions at the Committee’s meeting on 10 February. He also explained that he had spoken to the Chair of the Finance and Business PAB and this item would come to the PAB in September. He thanked the Head of Finance and the report author, the Principal Accountant, and he then proposed the report as laid out.

11. Warwick District Leisure Development Programme – Kenilworth Facilities

The Finance & Audit Scrutiny Committee supported recommendations as amended.

They also welcomed:

- (1) the assurance from the Portfolio Holder in respect of potential delays within Development Services in determining the planning applications for these sites within the 13 weeks due to a backlog in that service area; and
- (2) the understanding that the project will be treated as two separate sites and projects throughout this project to enable them to be more agile in delivery.

Executive Response:

The recommendations in the report were approved, as amended.

18 March

3. Community Infrastructure Levy (CIL) Projects List for 2021/22

The Finance & Audit Committee supported the report.

Response from the Executive:

Councillor Cooke felt that it was a good idea that in addition to the Development Programme Advisory Board (PAB), matters of the CIL list should also go to the Finance PAB, which was suggested at the 17 March Finance & Audit Scrutiny Committee meeting. He recognised that a lot of good work had gone into producing the proposals.

The recommendations in the report were approved.

8. Review of Significant Business Risk Register

The Finance & Audit Scrutiny Committee noted the report.

Response from the Executive:

Councillor Hales, the Portfolio Holder for Finance, stated that he had a meeting with the Strategic Risk Manager about the arrows on the risk register, which hadn't moved on the risk register because there had been no change in the risk levels, and these arrows would appear in future reports. At the Finance & Audit Scrutiny Committee meeting on 17 March, it was agreed that he would meet with Chair of Finance & Audit Scrutiny Committee, Head of Finance and the Chief Executive in June to look at the strategy behind the risk. It was important to make sure the Council recognised the different challenges coming forward, and that the Council set a strategy that officers and Councillors could work through. Councillor Day felt that in the light of nearly 12 months since the first national lockdown, one of the best ways the Council had managed risks was the genuine shared working across political groups and extra efforts and goodwill officers had shown. In the most challenging of financial years, the Council had still managed to find money for the Climate Action Fund despite being prevented from holding the referendum as hoped. He welcomed Councillor Hales' work with officers, and the Chair of the Finance & Audit Scrutiny Committee in making sure the Council remained sharp and focused on the strategic risks.

The recommendations in the report were approved.

13 April

3. Warwick District Council Loan to Glasshouse Lane, Kenilworth Joint Venture

The Finance & Audit Committee congratulated the officers for the clarity and detail of the written and oral presentation of the case for the loan to the Joint Venture, which it felt had contributed to a good understanding by Members and a rich and informed discussion of the risks and opportunities of the proposition.

The Committee suggested that the paper could be further improved by inclusion of:

- an infographic on the securities negotiated by the Council for the proposed loan to complement the infographic on the funding structure of the loan on page 11 of the report; and
- a risk register for the proposal.

The Committee also requested that the Executive might wish to ensure itself and the Council that there was no other provision that could reasonably be put in place to protect the Council and the public purse in issuing the loan, such as the deposit of the proposed contingency sum by the Vistry Group into an escrow account.

The Committee noted with strong approval the commitment to a performance standard of zero carbon in the build specification and that new builds would be to at least the new standard in the proposed revised Part L of the building regulations.

The Committee supported the recommendations with its comments as set out above.

Response from the Executive:

4. Purchase of 248 s106 Plots and 62 Private Rented Stock (PRS) Units, Glasshouse Lane, Kenilworth

The Committee repeated its congratulations to the officers for the clarity of the written paper. It suggested that the paper could be improved by inclusion of an infographic of how the proposed loan to MHL and the flow of finances associated with it would operate based on the information in the paper and Appendix 1 to the report.

The Committee supported the recommendations with its comment as set out above.

Response from the Executive: