

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 27 June 2017 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Barrott (Chair), Councillors; Cain, Davies, Gallagher, Gifford, Illingworth, Margrave, Stevens and Quinney.

**Also present:** Councillors Butler, Coker and Mrs Grainger.

## 17. **Apologies and Substitutes**

- (a) Apologies were received from Councillor Whiting
- (b) Councillor Mrs Stevens substituted for Councillor Noone

## 18. **Declarations of Interest**

Minute Number 25 – Executive Item 9 – Whitnash Community Hub

Councillor Margrave declared a pecuniary interest because he was a Whitnash Town Councillor and left the room whilst the item was discussed.

## 19. **Minutes**

The minutes of the meeting held on 31 May 2017 were not available and would be submitted to a future meeting.

## 20. **2016/17 Annual Treasury Management Report**

The Committee received a report from Finance which outlined the Council's Treasury Management Performance for the whole of 2016/17, which was attached as Appendix A to the report.

The Council was required to report upon its performance by 30 September 2017 and the report followed the format used in the Treasury Management Strategy Plan and, where appropriate, comment on the Council's actual performance against what was forecast in the Strategy Plan.

In addition, the Council was required to comment upon its performance against its Annual Investment Strategy for the year.

Treasury Management had a potentially significant impact on the Council's budgets through its ability to maximise its investment interest income and minimise borrowing interest payable. The Council was reliant upon interest received to help fund the services it provided. As detailed in paragraph 12.8 of the report, the gross interest to the Council was £510,000 against a Budget of £484,700, the net interest received by the General Fund for 2016/17 was £301,500 against a revised estimate of £297,400 and original of £342,000. The net interest received by the Housing Revenue Account (HRA) for 2016/17 was £208,400 against a revised estimate of £187,300 and original of £195,500.

The report outlined the risks associated with investing the Council's funds and explained how the Treasury Management function effectively managed this risk through the application of the SLY principle (Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y)).

The Council invested in Corporate Bonds in 2016/17 which introduced Counterparty credit risk into the portfolio by virtue of the fact that it was possible that the institution invested in could have become bankrupt leading to the loss of all or part of the Council's investment. This was mitigated by only investing in Corporate Bonds with a strong Fitch credit rating, in this case A and A+ and issued as Senior Unsecured debt which ranked above all other debt in the case of a bankruptcy. No such capital loss was incurred in 2016/17.

The Council's Principal Accountant (Capital) addressed Members and advised that it had been a 'steady as we go year' with no surprises encountered either way. The Council had returned decent investment and had exceeded targets.

With regard to the Corporate Equity Funds, he advised that this had been the Finance Portfolio Holder's suggestion and allowed for wide spread types of investments. Although stocks and shares could be volatile, the Council had taken a five year view and were prepared to accept the ups and downs.

Having considered the report and presentation, the Committee therefore

**Resolved** that the Council's 2016/17 Treasury Management report be noted.

**21. Treasury Management Activity report for the period 1 October 2016 to 31 March 2017**

The Committee received a report from Finance which detailed the Council's Treasury Management performance for the period 1 October 2016 to 31 March 2017.

The Council's 2016/17 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

Treasury Management had a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable, whilst ensuring the security of the capital. The Council was reliant upon interest received to help fund the services it provided. The actual investment interest earned in 2016/17 compared with the original and latest budgets were shown in paragraph 5.1 of the report.

There were a number of risks detailed at Section 6 of the report alongside the mitigation measures used to effectively manage the risks. These included having regard to any ratings watch notices, restricting the type of Bonds being invested in and ensuring the investments were available for

the necessary length of time. Thus ensuring there was no negative impact on the capital value of the fund.

Section 9 of the report explained that one of the major influences on the Council's investments was the Bank Rate and a forecast from the Council's Treasury Management Advisors, Capita Asset Services, was detailed at paragraph 9.1 of the report.

To further assist, a detailed commentary by Capita Asset Services was supplied at Appendix C to the report.

The report was broken down into a number of sections, each providing a detailed update on the major influences on the Council's investments along with the variation of performance from the different types of investment. These included Money Market Investments, Money Market Funds and Call Accounts and Corporate Equity Funds. The investments made in the second half year and the credit ratings applicable to the counterparty at the point at which the investment was made, was shown in Appendix B to the report, along with Council's current 2016/17 Counterparty lending list.

The report retrospectively looked at the activity during the last six months and was a statement of fact, therefore, there were no alternative options.

Having considered the report and having heard from the officers present, the Committee

**Resolved** that the report be noted.

(Councillor Gifford arrived during discussions on the above item)

At the conclusion of this item, the Chairman took the opportunity to thank the Principal Accountant (Capital) for his dedicated work and commitment to the Council. Mr Wyton was due to retire from the authority and this was his last appearance at Finance and Audit Scrutiny Committee. The Chairman described his work as outstanding and wished him well for the future.

## **22. Review of Neighbourhood Services Contracts Register**

The Committee received a report from Neighbourhood Services which set out the Neighbourhood Services Contract Register for review by the Finance & Audit Scrutiny Committee, and highlighted any issues which needed to be addressed in the next 12 months.

The review of Neighbourhood Services Contract Register allowed members the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council.

The latest version of the Neighbourhood Services element of the Corporate Contract Register was attached as Appendix 1 to the report.

The report highlighted that there were a number of procurement exercises due to be carried out over the next 12 months including parking machines in off street car parks & pay on foot in multi storey car parks, the provision of waste receptacles, outdoor play equipment and plant collection in Jephson Gardens Temperate House.

In addition, Neighbourhood Services were currently in the process of procuring works to improve the security of parks, open spaces and car parks to prevent unauthorised encampments as well as starting a procurement exercise to engage a specialist surveying company to undertake a data capture project of the Council's parks and open spaces.

The Head of Neighbourhood Services introduced the report and highlighted the salient points and the varied works due to commence in the near future.

Members discussed the contract relating to the car parking machines which would require replacement within the next two years. Queries were raised regarding the maintenance element of the contract which officers confirmed the Council were still locked into. However, the Committee noted that consideration would be given to the installation of machines that allowed more flexible methods of payment, for example card and cash.

Some discussion took place relating to the contract with Capita which was described as a rolling contract. This could often cause issues when the contract was rolled on and officers had to be mindful of the EU regulations and threshold. Officers explained that this contract supplied the service to complete on-line payments.

Having considered the report and having heard from the officers present, the Committee felt that the report was well laid out and thanked the officers for attending. The Committee

**Resolved** that the report be noted.

**23. Public & 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 paragraphs 1, 2 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

**24. Housing Benefits and Council Tax Reduction – Risk Based Verification Review**

The Committee received a confidential report from Finance which requested approval of the policy for the use of Risk Based Verification in assessing new Housing Benefit and Council Tax Reduction claims and changes in circumstances.

The full minute to this item was detailed in the confidential minutes of the meeting.

Having considered the report and having heard from the officers present, the Committee

**Resolved** that the policy be reaffirmed.

(The meeting resumed in public session.)

25. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 28 June 2017)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 28 June 2017.

Item 5 – St Mary’s Lands Masterplan and Update on Progress of Delivery Plan

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

Item 9 – Whitnash Community Hub

The Finance & Audit Scrutiny Committee supported the principle of the recommendations but raised concerns that the VAT arrangements for the project had not been fully clarified yet, some Members queried the sensitivity analysis and queried the potential lack of involvement from WCC Library Service and the Sports and Social Club.

Item 4 – Review of Warwick District Council Members’ Allowances Scheme

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

26. **Comments from the Executive**

The Committee considered a report from Democratic Services which summarised the Executive’s response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 1 June 2017.

**Resolved** that the report be noted.

27. **Review of the Work Programme & Forward Plan**

The Committee considered its Work Programme for 2017/2018 and the Forward Plan.

A revised work programme was circulated at the meeting and officers highlighted the following additions and amendments:

The Final Accounts report would be submitted to 25 July 2017 meeting; and

The Linen Street Car Park report had been moved to the To Be Confirmed section of the Forward Plan, on under Reason 3.

The Deputy Chief Executive (BH) advised that an update report had been submitted to the Overview and Scrutiny Committee that evening relating to the car parks. The report had advised that whilst the deterioration had slowed, monthly inspections were still being carried out. In addition, a report would be coming forward to Executive in September relating to the displacement strategy for Warwick.

**Resolved** that the report be noted.

28. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 28 June 2017)**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 28 June 2017.

Item 10 – Transforming our Workplace Budget Provision

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

29. **Confidential Minutes**

The confidential minutes of the meeting held on 31 May 2017 were not available and would be submitted to a future meeting.

(The meeting ended at 8.46pm)