

FINANCE AND AUDIT SCRUTINY COMMITTEE

Minutes of the meeting held on Tuesday, 12 July 2011 at the Town Hall, Royal Leamington Spa at 6.00pm.

PRESENT: Councillor Mrs Knight (Chair); Councillors Cross, Edwards, Pittarello, Rhead, Mrs Sawdon and Williams.

ALSO PRESENT: Councillor Mobbs (Portfolio Holder for Finance).

Apologies for absence were received from Councillors Dagg, MacKay, Pratt and Mrs Tyrrell.

21. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

22. **MINUTES**

The minutes of the meeting held on 7 June 2011 were taken as read and signed by the Chair as a correct record.

23. **STATEMENT OF ACCOUNTS 2010/11**

The Committee received a report presenting the draft Statement of Accounts 2010/11, which was subject to audit up until 30 September 2011. The Audited Statement of Accounts would be presented to this Committee on 21 September and to Council on 22 September for formal approval.

Members noted that the accounts had been reported to the Executive in June. The main points were that the Capital Programme was underspent by £3.1m, of which £2.2m was due to slippage; the General Fund revenue account showed a surplus of £44,000 over the Latest Estimates after allowing for a further £0.95m of planned expenditure to be carried forward to 2011/12; and the Housing Revenue Account showed a surplus of £0.4m over the Latest Estimates. Explanations of the three major adverse variances were included within Appendices C and D of the report.

As part of corporate governance, Members had an important role in overseeing the framework of internal control of the Council. Although the Statements were still subject to audit, it was considered helpful to Members to get an early sight of them, especially in the first year of International Financial Reporting Standards (IFRS) compliant accounts.

Officers drew attention to key points in the document, highlighting the balance sheet on page 12 and the movement in reserves statement on page 10. The Chair suggested that future covering reports should try to steer Councillors to key points and pages which they needed to pick up, as the document as a whole was very daunting. Members also pleaded, where possible, for bullet points rather than lengthy explanations in the appendices.

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The Committee noted that it had been a major project changing the Statement of Accounts document into the IFRS format, and the Chair thanked officers for their excellent work in achieving this.

RESOLVED that the pre-audit Statements and the explanations of the major adverse variances (attached as Appendix C to the report) be noted.

24. AUDIT FRAUD AND CORRUPTION PROGRESS REPORT

The Committee considered a report from Finance detailing progress against the 2010/2011 action plan and presenting the 2011/2012 action plan. The Committee were also asked to approve an additional paragraph in the Strategy which would permit investigation of allegations against Members.

In September 2005 Executive agreed that the Anti-Fraud and Corruption Strategy be reviewed annually and an action plan formulated to help deliver its objectives. Doing so contributed to improving the control environment, raising awareness on fraud and corruption issues and the prevention and detection of fraud and corruption.

Members were concerned that there was no formal induction process for agency staff, and felt that all staff, be they agency, consultancy or otherwise, should be subject to the same rules and policies. The Head of Finance, Audit and Risk Manager and the Senior Internal Auditor agreed to meet to discuss this issue, in consultation with the HR Manager, and to submit a response to the Committee.

Officers agreed to issue a memo to Councillors reminding them of the Council's policy on the declaration of gifts.

The Head of Finance advised Members that a report on Housing Benefit Fraud would be presented to the Committee in September.

RESOLVED that

- (1) the report and its contents, in particular the progress being made in implementing the action plan for 2010/2011, be noted;
- (2) the updated action plan for 2011/2012 be approved; and
- (3) the amendment to the strategy by the addition of the following paragraph in the section on Investigation be approved:

"8.6 The Monitoring Officer will investigate allegations of fraud or criminal misconduct against Members. Investigations will be subject to supervision by and report to the Standards Committee. Where the allegation is within the

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terms of reference of the Council's auditors the matter will be referred to them."

25. PROCUREMENT PROGRESS REPORT

The Committee received an update on progress in respect of Procurement for the year 2010/2011.

In July 2010 Executive agreed that Members would receive an annual update on the progress of procurement and the procurement strategy. For the past three years Councillors MacKay, Rhead, Vincett had acted as 'procurement champions', discussing with officers progress against the procurement actions plan and championing ongoing procurement work. It was agreed that Councillor Cross would replace Councillor Vincett as procurement champion, alongside Councillors Rhead and MacKay, if Councillor MacKay was happy to continue.

It was suggested that, to some extent, the Council was still only scratching the surface in its approach to procurement. The Committee noted areas of concern highlighted in the Procurement Action Plan, particularly items S4 and U2, and housing. It was suggested that the contracts register should be the Council's guide in monitoring procurement, and that closer working relationships with other local authorities would make the bulk purchase of common goods and utilities more feasible.

Members noted that procurement was being championed by a number of officers on a day to day basis, and recognised that it was in everybody's interest to make procurement work better, as it would save the Council money and protect the workforce.

Councillor Rhead requested that he attend the beginning of a senior officers meeting which was to focus on procurement, in order to emphasise how important procurement was and how seriously Members considered it to be.

The Committee noted that Procurement Training for all Members had been arranged to take place on Monday 26 September, commencing at 6pm. In light of concerns about poor attendance at recent training events, the Chair suggested that members of the Committee endeavour to sell the training at Group meetings.

RESOLVED that

- (1) the position with regard to procurement be noted;
- (2) progress against the procurement action plan be noted; and
- (3) Councillors Cross, MacKay and Rhead be appointed procurement champions, subject to Councillor MacKay agreeing to his involvement.

26. EXECUTIVE AGENDA (NON-CONFIDENTIAL ITEMS & REPORTS)

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The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 13 July 2011.

Item Number 8 – Significant Business Risk Register

The Committee were concerned that some risk ratings seemed not to be high enough, the point of risk registers being to move the risk down and manage risk away. Members recognised that, in accordance with the recommendation in the report, the Executive was responsible for risk management. It was the Finance and Audit Scrutiny Committee's responsibility to hold the Executive to account, and the Committee felt it was essential that all risks in the register should be monitored on a regular basis by portfolio holders, in order to manage risks effectively.

Portfolio holders should take ownership of the risk register as part of their brief. This way they might ensure that, for example, such issues as succession planning, establishment of the Local Plan and effective management of all service risk registers, were handled appropriately. The Committee felt that the Executive should be involved in identifying, compiling and prioritising the risk register.

It was also suggested that CMT should give further consideration to establishing an approach of tighter accountability by the Executive in respect of all areas for which they were responsible, not just risk.

27. **PUBLIC AND PRESS**

RESOLVED that under Section 100A of the Local Government Act 1972, 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.

28. **EXECUTIVE AGENDA (CONFIDENTIAL ITEMS & REPORTS)**

The Committee considered the following confidential items which would be discussed at the meeting of the Executive on Wednesday 13 July 2011.

Item Number 13 – Catering Contract

The Committee hoped that other managers would take time to implement a careful procurement process as was demonstrated in this case.

Questions were raised about how much income was sacrificed in order to save officer time versus the same figures put forward by other bidders. Members were assured that the balance between the two was favourable in the bid recommended in the report. Members were disappointed that the report had not included details of such savings and benefits of this contract in comparison to the alternatives which had been considered, and what those alternatives were, which would have reassured them in the first place. Nevertheless, given all considerations, the Committee supported the recommendations in the report.

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Item Number 14 – Approval of Funding Request

The Committee recognised that the request came from an organisation which had a noble purpose, but was concerned that approving the request might amount to a conflict of interest in that the organisation assisted voluntary organisations who might also want to tender for contracts with the Council. The Committee felt that approving the request might set a precedent, and was also concerned that the District Council was being asked to pick up requests that the County Council had turned down.

29. **EXECUTIVE AGENDA (NON-CONFIDENTIAL ITEMS & REPORTS)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 13 July 2011.

Item Number 7 – Habitat Biodiversity Audit Partnership

The Committee supported the recommendations in the report and agreed that whenever there was a bypassing of the tendering process, the Committee would always like to see the business case.

Item Number 9 – Financial Strategy and Budget Prospects

The Committee supported the recommendations in the report. Councillors Mrs Knight, Pittarello and Williams put themselves forward for the fees and charges group.

(Councillor Mobbs left the meeting at the conclusion of this item.)

30. **COMMENTS FROM THE EXECUTIVE**

A report from Committee Services summarised the Executive's response to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 8 June 2011.

RESOLVED that the contents of the report be noted.

31. **FORWARD PLAN**

The Committee considered a report from Members' Services informing them of the current Forward Plan, attached as an appendix to the report.

One of the five main roles of overview and scrutiny in local government was to undertake pre-decision scrutiny of Executive decisions. If the Committee had an interest in a future decision to be made by the Executive it was within the Committee's remit to feed into the process.

The Forward Plan detailed the future work programme for the Executive. If a non-executive member highlighted a decision which was to be taken by the Executive which they would like to be involved in, members could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

RESOLVED that there were no forthcoming Executive decisions which they wished to have an input into before the Executive make their decision, at present.

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32. REVIEW OF THE WORK PROGRAMME

A report from Members' Services detailed the Committee's work programme for 2011/12.

The following changes to the work programme were agreed:

- The Committee to look at the refuse collection contract at an appropriate time (to be confirmed with the Head Of Neighbourhood Services)
- The Royal Spa Centre business plan to be considered at the August meeting.

Officer's findings in relation to anti fraud (minute 24 refers) would be issued to the Committee via email in due course.

RESOLVED that the work plan for 2011/12 be noted.

(The meeting ended at 8.30 pm)