

# Finance and Audit Scrutiny Committee

Tuesday 1 December 2015

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A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 1 December 2015 at **6.30pm** or at the conclusion of a joint meeting of the Finance & Audit and Overview & Scrutiny Committee, whichever is the latter.

Membership:

	Councillor Barrott (Chair)	
Councillor Butler		Councillor Illingworth
Councillor Day		Councillor Mann
Councillor Gifford		Councillor Quinney
Councillor Harrington		Councillor Rhead
Councillor Heath		Councillor Thompson

## Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

## Agenda

### Part A – General Items

#### 1. Apologies and Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

#### 2. Declarations of Interest

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

3. **Minutes**

- (a) to confirm the minutes of the Finance & Audit Scrutiny Committee meeting held on 3 November 2015; and
- (b) to confirm the minutes of the Joint meeting of the Finance & Audit and Overview & Scrutiny Committee held on 3 November 2015.

**(Item 3/Page 1)**

**Part B – Audit Items**

4. **Treasury Management Activity Report for the period 1 April 2015 to 30 September 2015**

To consider a report from Finance

**(Item 4/Page 1)**

5. **Internal Audit Quarter 2 2015/16 Progress Report**

To consider a report from Finance

**(Item 5/Page 1)**

6. **Annual Governance Statement Action Plan 2015/16: Review of Progress**

To consider a report from Finance

**(Item 6/Page 1)**

**Part C – Scrutiny Items**

7. **Comments from the Executive**

To receive a report from Civic & Committee Services

**(Item 7/Page 1)**

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

To consider a report from Civic & Committee Services

**(Item 8/Page 1)**

9. **Executive Agenda (Non Confidential Items and Reports) – Wednesday 2 December 2015**

To consider non-confidential items on the Executive agenda, which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting.

**(Agenda circulated separately)**

10. **Public and Press**

To consider resolving 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 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

11. **Minutes**

To confirm the confidential minutes of the meeting held on 3 November 2015.  
**(Item 11/Page 1)**

12. **Executive Agenda (Confidential Items and Reports) – Wednesday 2 December 2015**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting.  
**(Agenda circulated separately)**

Published Monday 23 November 2015

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**The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.**

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 3 November 2015 at the Town Hall, Royal Leamington Spa at 7.40pm.

**Present:** Councillors Barrott (Chair), Ashford, Day, Gifford, Illingworth, Quinney and Thompson.

**Also Present:** Councillors Mrs Gallagher, Philips and Whiting.

Apologies for absence were received from Councillors Butler and Heath.

## 74. **Substitutes**

Councillor Ashford substituted for Councillor Rhead.

## 75. **Declarations of Interest**

There were no declarations of interest.

## 76. **Minutes**

The minutes of the meetings of 22 and 29 September 2015 were taken as read and signed by the Chairman as a correct record.

## 77. **Risk Management Annual Report**

The Committee received a report from the Audit and Risk Manager which detailed progress of implementing risk management throughout the organisation including the implementation of items in the risk management action plan from 2011/12 to 2014/15.

A copy of the action plan was attached as Appendix B to the report.

The report also set out Members' responsibility for risk management and the Council's Risk Management Strategy which was attached as Appendix A to the report.

The Senior Internal Auditor presented the report and highlighted the salient points including how important Corporate Governance was by underpinning the work of the Council.

Mr Barr brought Members' attention to Appendix B on page 21 and gave an update on the recent training sessions undertaken and the work of the Committee in scrutinising the individual Service Area risk registers.

He also explained that an external review of risk management arrangements was due to commence in January 2016, to be carried out by Zurich Insurance. The full report from Zurich would be reported back to the Committee and their recommendations would be incorporated into future action plans.

Members discussed the Probability of Occurrence table detailed on page 10 of the report and were advised that the descriptions had been taken from the Institute of Risk Management guidelines.

In addition, it was hoped that the external review would help to give guidance on whether departments were operating at a satisfactory level or if there was an opportunity to further develop risk management.

**Resolved** that

- (1) the report and its contents, in particular that part which sets out members' responsibility for risk management, is noted;
- (2) the Council's Risk Management Strategy, attached as Appendix A to the report, is affirmed;
- (3) the progress being made in embedding risk management in the Council, is accepted, noting the review of Year Four of the 4-year Action Plan, attached as Appendix B to the report; and
- (4) the commissioning of an external review of the Council's risk management arrangements, is noted.

**78. 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 items, by reason of the likely disclosure of exempt information within the relevant paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

The full text of Minutes 79 and 80 were recorded in a confidential minute which was to be considered for publication following implementation of the relevant decisions. However, a summary is as follows:

**79. Building Cleaning Services Report**

The Committee received a report from Housing and Property Services which updated Members on the Council's Building Cleaning Services contract.

**80. Golf Contract Update**

The Committee received a report from Cultural Services which updated Members on the Golf Contract.

(The meeting returned to public session.)

81. **Finance Contracts Register**

The Committee received a report from Finance updating Members on the departments Contract Register and asked them to make observations as appropriate.

Members queried two contracts that remained unsigned and received clarification from the Head of Finance that this was due to the nature of the business being undertaken by the contractor.

The Head of Finance also advised that his team were planning on looking at the numbering sequence of all contracts because this was an inherited system that was not always satisfactory.

Members were pleased with the progress that had been made and were satisfied with the content of the register.

**Resolved** that the report be noted.

82. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 4 November 2015**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 4 November 2015:

Agenda Item 4 – Budget Review to 30 September 2015

The Committee supported the recommendations in the report.

83. **Comments from the Executive**

A report from Civic and Committee Services summarised the Executive's responses to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 30 September 2015.

**Resolved** that the contents of the report be noted.

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

The Committee considered its work programme for 2015/16 and the latest published version of the Forward Plan.

**Resolved** that the work programme be noted.

(The meeting ended at 9.40 pm)

# Joint meeting of the Finance & Audit and Overview & Scrutiny Committee

Minutes of a joint meeting held on Tuesday 3 November 2015, at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillors Ashford, Barrott, Boad, Bromley, Butler, D'Arcy, Davison, Day, Edgington, Gifford, Harrington, Mrs Hill, Illingworth, Mann, Margrave, Naimo, Parkins, Quinney, Mrs Redford and Thompson.

**Also present:** Councillors Gallagher, Gill, Mrs Knight, Mobbs, Phillips and Whiting.

Apologies for absence were received from Councillors Mrs Cain and Heath.

## 1. **Appointment of Chairman**

It was proposed and duly seconded that Councillor Boad be appointed as Chairman for the meeting.

**Resolved** that Councillor Boad be appointed as Chairman for the meeting.

## 2. **Substitutes**

Councillor Ashford substituted for Councillor Rhead and Councillor Mrs Hill substituted for Councillor Miss Grainger.

## 3. **Declarations of Interest**

There were no declarations of interest.

## 4. **Executive Agenda Item 3 – Wednesday 4 November 2015 – Leisure Options – Part A**

The Committee considered an Executive report from Cultural Services, seeking approval of a series of recommendations following completion of the initial phase of the Leisure Development Programme.

The programme had been established in November 2014 to formulate options for the future provision and management of the Council's leisure centres and dual-use sites. The report addressed two significant issues that Members needed to determine.

The first issue was whether the Council should invest significant capital sums in Newbold Comyn and St Nicholas Park leisure centres, to make them fit for purpose.

The second issues was to decide which was the best model for managing the Council's leisure facilities in the future; to keep the management in house or to manage via an external partner.

The Head of Cultural Services presented the report and thanked Members for attending the briefing on Monday evening. She outlined a number of key points that the team aimed to cover which included answers to a number of questions that had emerged at the briefing, fees and charges, contract management and the protection of existing staff.

Councillors raised the possibility of the management of the service moving to a Trust and officers advised that this had been considered in the November 2014 report. However, this was not a recommendation at the present time for a number of reasons. It was acknowledged that there was a benefit to using a Trust with regard to NNDR and VAT arrangements but it was a less popular option for Local Authorities to take nowadays. There had been examples of Trusts failing resulting in external providers having to bail them out and officers felt this would be a risk for the Council.

Councillor Boad requested that officers look at including a 'passport to Leisure' into the contract specification to ensure that all residents, especially those on lower incomes or needing assistance, would be able to access the facilities. The Head of Cultural Services advised that this would require a high specification IT system and was satisfied that external providers would be able to incorporate this into any contract.

Councillors also raised concerns about the potential impact on existing staff, the management of the contract and the funding sources. Officers also clarified issues relating to potential savings, membership rates, realistic projections and equipment renewal.

Having considered the report, and having heard from the officers present, the Joint Scrutiny Committee felt they could not support recommendations 2.6 to 2.9 of the report. Members advised that their preferred option would be to retain the Leisure Service in house, keeping it under Council's management control, and retain the current arrangements.

The Joint Committee therefore

**Recommended** to the Executive that

- 1) recommendations 2.6, 2.7, 2.8 and 2.9 of the report are removed, effectively retaining the Leisure Options in Council's management control and continuing under existing arrangements; and
- 2) officers investigate the option of introducing a "Passport to Leisure" into the contract to enable access to leisure facilities for all members of the community.

(Councillors Mann, Day, Edgington and Ashford arrived part way through discussion of this item and were therefore, unable to vote on the decision)



5. **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 items by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

6. **Confidential Executive Agenda Item 8 – Wednesday 4 November 2015 – Leisure Options – Part B**


The Committee considered additional documents relating to the Executive report from Cultural Services for the Leisure options proposals.

These appendices were private and confidential because they contained commercial information, investment proposals and potential operator comparisons.

Following discussions, the Joint Scrutiny Committee

**Recommended** to the Executive that they consider the Trust option and ensure they consider the Social Value losses and gains of all three options.

(The meeting ended at 7.34 pm)

	<b>Finance and Audit Scrutiny Committee.</b> <b>1st December 2015.</b>	<b>Agenda Item No. 4</b>
<b>Title</b>	Treasury Management Activity Report for the period 1st April 2015 to 30th September 2015.	
<b>For further information about this report please contact</b>	Karen Allison, Assistant Accountant 01926 456334 <a href="mailto:Karen.allison@warwickdc.gov.uk">Karen.allison@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>		
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/a	
<b>Background Papers</b>	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	No-not relevant.

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	09/11/2015	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	09/11/2015	Mike Snow
Monitoring Officer	N/A	
Finance	09/11/2015	Roger Wyton
Portfolio Holder(s)	N/A	
<b>Consultation &amp; Community Engagement</b>		
None.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

1.1 This report details the Council's Treasury Management performance for the period 1<sup>st</sup> April 2015 to 30<sup>th</sup> September 2015.

## 2. **Recommendation**

2.1 That Finance and Audit Scrutiny Committee notes the contents of this report.

## 3. **Reasons for the Recommendation**

3.1 The Council's 2015/16 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

3.2 This report informs Members of past performance, hence Members are just asked to note the information contained within it.

## 4. **Policy Framework**

4.1 **Policy Framework** -The Treasury Management function enables the Council to achieve its objectives within the strategy and policies.

4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live work and visit as set out in the Sustainable Community.

4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

## 5. **Budgetary Framework**

5.1 Treasury Management has 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 is reliant upon interest received to help fund the services it provides. The current estimate for investment interest in 2015/16 is shown in the table below:

	<b>Latest 2015/16 Budget (Oct 15)</b>	<b>Original 2015/16 Budget (Jan 15) £</b>
Gross Investment Interest	443,400	403,000
Less HRA allocation	172,200	132,100
Net interest to General Fund	<b>271,200</b>	<b>270,900</b>

5.2 The 2015/16 original investment interest forecast was predicated on the basis that the economic situation and the creditworthiness of banks would improve thus allowing core investments to once again be re-invested for 364 days. Net external investment receipts are expected to be broadly in line with the 2015/16 original and expected to increase by £106,500 in 2016/17, when compared to the 2015/16 original. The positive variation in 2016/17 is mainly due to a forecast increase in investment balances and increasing interest rates.

## 6. Risks

- 6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).
- 6.2 Corporate Bonds and Floating Rate Notes (FRN's) introduce Counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRN's with a strong Fitch credit rating, in this case A+ and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.
- 6.3 The introduction of Covered Bonds into the portfolio for 2015/16 also reduces risk as the bond is "backed" by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

## 7. Alternative Option(s) considered

- 7.1 None.

## 8. Background

- 8.1 A detailed commentary by our Treasury Consultants, Capita Asset Services, of the economic background surrounding this report appears as Appendix A.

## 9. Interest Rate Environment

- 9.1 The major influence on the Council's investments is the Bank Rate. The Bank Rate remained at 0.5% for the first half year to 30th September 2015. The Council's Treasury Management Advisors, Capita Asset Services, provided the following forecast below for future Bank Rates:-

Qtr End-ing	Now (Sept 2015 )	Dec 2015	Mar 2016	June 2016	Sept 2016	Dec 2016	Mar 2017	Jun 2017	Sept 2017	Dec 2017	Mar 2018
<b>Current Forecast, as at September 2015:</b>											
Bank Rate %	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.50	1.50	1.75
<b>Forecast, as at January 2015, (when Original Budgets were set):</b>											
Bank Rate %	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.75	1.75	2.00

Capita Asset Services undertook a review of its interest rate forecasts in mid-August 2015 which now includes a first increase in Bank Rate in quarter 2 of 2016.

The forecast as at January 2015 is shown for comparison purposes as this forecast was used in calculating the original budgets.

- 9.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2015/16 was approved by Council on 25<sup>th</sup> Feb 2015. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions credit ratings, to ensure that it does not lend to those institutions identified as being at risk either from the residual impact of the past crisis in the banking sector or the potential issues arising from the current poor Eurozone economic situation. A copy of the current lending list is shown as Appendix B.

## 10 INVESTMENT PERFORMANCE

### Money Market Investments

- 10.1. During 2015/16, the in house function has invested core cash funds in fixed term deposits in the Money Markets. The table overleaf illustrates the performance of the in house function during this first half year for each category normally invested in:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
<b>Up to 7 days</b>			
April to Sept 2015	No investments made in this half year.		
<b>Over 7 days &amp; Up to 3 Months</b>			
April to Sept 2015	No investments made in this half year.		
<b>Over 3 Months &amp; Up to 6 Months</b>			
April to Sept 2015	0.69%	0.66%	+0.03%
Interest earned 1st half year £	£23,180	£22,271	+£909
<b>Over 6 Months to 365 days</b>			
April to Sept 2015	0.72%	0.81%	-0.09%
Interest earned 1st half year £	£22,128	£25,194	-£3,066
<b>1 year and over</b>			
April to Sept 2015	1.00%	0.96%	+0.04%
Interest earned 1st half year £	£30,247	£29,173	+£1,074
<b>TOTAL INTEREST FIRST HALF YEAR</b>	<b>£75,555</b>	<b>£76,638</b>	<b>-£1,083</b>

- 10.2 All the LIBID rates in the table above and referred to below include a margin of 0.0625%.
- 10.3 During April to September, five core investments matured. In the period '3 to 6 months' our out-performance was achieved by purchasing two Westpac Corporate Bonds and a Commonwealth Bank of Australia Fixed Bond, all

yielding over 0.70%. The use of Corporate Bonds has enabled us to invest in names that do not ordinarily fund in the deposit market and they can potentially offer a yield pick-up on the comparable CD issue level.

- 10.4 The underperformance in the 'over 6 months to 365 days' period was mainly due to the inclusion of a 7 month Bank Nederlandse Gemeenten Fixed Bond within this category. This bond achieved a rate of 0.66% which is actually comparable with the 6 month LIBID rate (plus the 0.0625% margin) whereas the rate used in the table above was an average of 6 month and 1 year LIBID (plus the 0.0625% margin). A further Westpac Corporate Bond was also purchased during this period. Lastly in the "1 year and over" category, we rolled-over a Lloyds Bank investment for 1 year to achieve an outperformance.
- 10.5 Given that the current Bank Rate is only 0.50% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this first half year continues to be satisfactory.

### Money Market Funds & Call Accounts

- 10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Their performance in this period is shown in the following table:

<b>Fund</b>	<b>Investment Return (Annualised)</b>	<b>LIBID Benchmark (Annualised)</b>	<b>Out/(Under) Performance</b>
<b>Deutsche</b>			
April to Sept 2015	0.43%	0.42%	+0.01%
Interest earned 1st half year £	£643	£641	+£2
<b>Goldman Sachs</b>			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year £	£10,915	£10,638	+£277
<b>Invesco Aim</b>			
April to Sept 2015	0.44%	0.42%	+0.02%
Interest earned 1st half year £	£213	£206	+£7
<b>Federated Constant Net Asset Value (CNAV)</b>			
April to Sept 2015	0.51%	0.42%	+0.09%
Interest earned 1st half year £	£11,049	£9,185	+£1,864
<b>Federated Variable Net Asset Value (VNAV)</b>			
April to Sept 2015	0.59%	0.66%	-0.07%
Interest earned 1st half year £	£13,030	£16,646	-£3,616
<b>Standard Life ( was Ignis )</b>			
April to Sept 2015	0.48%	0.42%	+0.06%
Value of Interest earned first half year	£21,110	£18,687	+£2,423
<b>Royal London Cash Plus Account (VNAV)</b>			

April to Sept 2015	0.49%	0.66%	+0.07%
Value of Interest earned first half year	£4,445	£3,930	+£515
<b>TOTAL INTEREST FIRST HALF YEAR</b>	<b>£61,405</b>	<b>£59,933</b>	<b>+£1,472</b>

- 10.7 During the half year, the Council's cash flow investments were into the Money Market Funds and the HSBC Business Deposit Account.
- 10.8 The Royal London Asset Management (RLAM) Cash Plus Account was opened on 15<sup>th</sup> April 2015 with £2 million of core money. This is an Enhanced Money Market fund in a similar vein to the Federated Variable Net Asset fund shown in the table above and was opened in order to add value to the Council's investment returns and RLAM's September overview of the account gives a gross performance of 0.88% for the year to September. The investment has been running for five and a half months and the return of 0.49% in the table above is in line with their rate when extrapolated for one year.
- 10.9 As with the Money Market investments in paragraph 10.1, the LIBID benchmark which in this case is the 7 day rate, (except for the Federated Variable Net Asset and RLAM funds where a 6 month LIBID rate is used and Svenska Handelsbanken 35 day call account where a 1 month LIBID rate is used) has been increased by a margin of 0.0625% and it can be seen from the table above that the total interest out performance of the benchmark remains satisfactory. The Council continued to concentrate its investments in the highest performing funds Federated Prime Rate (variable and constant net asset value funds), Ignis, Goldman Sachs and latterly the RLAM fund along with the call accounts, HSBC Business Deposit, and Svenska Handelsbanken.
- 10.10 During the first half of 2015/16 the Council earned £61,405 interest on its Money Market Fund investments at an average rate of 0.50% and the average balance in the funds during the period was £14,033,932.

### Call Accounts

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
<b>HSBC Business Deposit Account</b>			
April to Sept 2015	0.37%	0.42%	-0.05%
Value of Interest earned first half year	£3,126	£3,545	-£419
<b>Svenska Handelsbanken Account</b>			
April to Sept 2015	0.55%	0.45%	+0.10%
Value of Interest earned first half year	£13,810	£11,174	+£2,636
<b>TOTAL INTEREST FIRST HALF YEAR</b>	<b>£16,936</b>	<b>£14,719</b>	<b>+£2,217</b>

- 10.11 As with the Money Market investments in paragraph 10.1, the LIBID benchmark, which in this case is the 7 day rate, has been increased by a margin of 0.0625%.
- 10.12 The Council earned £16,936 interest on its call accounts in the first half year at an average rate of 0.50% and the average balance in the funds during the period was £3,346,925.
- 10.13 The following table brings together the investments made in the various investment vehicles during the first half year to give an overall picture of the investment return:-

<b>Investment Vehicle</b>	<b>Investment Return (Annualised) £</b>	<b>LIBID Benchmark (Annualised) £</b>	<b>Out/(Under) Performance £</b>
Money Markets	75,555	76,638	-1,083
Money Market Funds & Call A/c's	78,341	74,652	+3,689
<b>Total</b>	<b>153,896</b>	<b>151,290</b>	<b>+2,606</b>

The original estimate of annual external investment interest for 2015/16 was £402,950 gross and this was revised in October to £443,400, the increase being due to additional interest earned on increased balances as a result of variations in the 2014/15 and 2015/16 revenue and capital programmes (+£84,700) offset by a reduction of £52,500 as a result of expected interest rate rises which are not expected to materialise in 2015/16. It should be noted that the total investment return of £153,896 shown in the table above will not all be received in 2015/16 as it is an annualised figure and will include interest relating to 2016/17.

- 10.14 An analysis of the overall in house investments held by the Council at the end of September 2015 is shown below:

(The balance at 31<sup>st</sup> March 2015 is shown for comparison)

<b>Type of Investment</b>	<b>Closing Balance As at 30<sup>th</sup> September 2015</b>	<b>Closing Balance As at 31st March 2015</b>
	<b>£</b>	<b>£</b>
Money Markets incl. CD's	36,000,000	32,000,000
Money Market Funds	27,733,000	15,541,000
Business Reserve Accounts including Call Accounts	4,050,000	7,278,000
<b>Total</b>	<b>67,783,000</b>	<b>54,819,000</b>

## 11. COUNTERPARTY CREDIT RATINGS

- 11.1 The investments made in the first half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in the table below:-



(N.B. viability and support ratings were discontinued from 29<sup>th</sup> July 2015 as agreed in the July Budget Monitoring Executive report).

<b>Counterparty</b>	<b>Investment Amount</b> <b>£</b>	<b>Credit Rating</b>			
		<b>Long Term</b>		<b>Short Term</b>	
<b>Banks</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A+</b>		<b>F1</b>	
Commonwealth Bank Of Australia (Bond)	£1,800,000	AA-		F1+	
Standard Charter (CD)	£2,000,000	AA-		F1+	
Westpac Banking Corporation (Bond)	£500,000	AA-		F1+	
<b>Counterparty</b>	<b>Investment Amount</b> <b>£</b>	<b>Credit Rating</b>			
		<b>Long Term</b>		<b>Short Term</b>	
Westpac Banking Corporation (Bond)	£2,000,000	AA-		F1+	
Westpac Banking Corporation (Bond)	£700,000	AA-		F1+	
Bank Nederlandse Gemeenten (Bond)	£3,000,000	AA+		F1+	
<b>Building Societies- Category B</b>					
<b>WDC Minimum</b>	( Fitch )	<b>Less than A+</b>		<b>F1</b>	
Nationwide Building Society	£2,000,000	A		F1	
<b>UK Government Part Owned Banks</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A</b>		<b>F1</b>	
Lloyds TSB Bank	£3,000,000	A		F1	
<b>MoneyMarket Funds</b> (Investment amount is average principal in fund during the half year)					
<b>WDC Minimum</b>	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+				
Deutsche	£301,454	Fund retained its rating throughout half year			
Invesco Aim	£96,838	Fund retained its rating throughout half year			
Federated Prime Rate	£9,000,000	Fund retained its rating throughout half year			
Ignis	£8,839,050	Fund retained its rating throughout half year			
Goldman Sachs	£5,004,085	Fund retained its rating throughout half year			
Royal London Asset Management	£2,000,000	Fund retained its rating throughout half year			
<b>Call Accounts</b>					
<b>WDC Minimum</b>	( Fitch )	<b>A+</b>	<b>F1</b>	<b>BBB</b>	<b>1</b>
HSBC Business	£1,667,435	Counterparty retained its rating throughout			

Deposit Account		period of AA- long term, F1+ short term,
Svenska Handelsbanken	£5,000,000	Counterparty retained its rating throughout period of AA- long term, F1+ short term,

11.2 It can be seen that all investments made within the first half year were in accordance with the Council's credit rating criteria.

11.3 Also attached for the Committee's information as Appendix B is the Council's current 2015/16 Counterparty lending list.

## 12. **BENCHMARKING**

12.1 With regard to the Capita Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.71% was in line with Capita's model portfolio band range of 0.64% to 0.75% based on the risk in our portfolio.

12.2 Our result for the September quarter was 0.70% WARoR which again was in line with Capita's model portfolio band range.

12.3 A comparison between Warwick District Council and the benchmarking group reveals that during both quarters our WARoR was one of the highest in the group and our weighted average risk was the lowest compared to those other authorities with a balanced investment portfolio.

## 13. **BORROWING**

13.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383m.

13.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility with HSBC. The interest rate on this facility is 2% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year overdraft interest of £0.23 was paid.

## 14 **PRUDENTIAL INDICATORS**

14.1 The 2015/16 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

## 15. **TRAINING**

15.1 Treasury Management training was provided for Members on 29th October as part of the Members' Induction Programme. The presenters at the session were from the Council's Treasury Management Advisors, Capita. Whilst the training was not well attended, those attending did find the training useful and enhanced their understanding of this technical subject.

**16. 2016/17 Treasury Management Strategy.**

- 16.1 Work is currently underway in preparing the 2016/17 Treasury Management and Investment Strategies. In discussion with the Finance Portfolio holder and Capita, consideration is being given to the inclusion of additional investments instruments, such as equity funds. Whilst security of the funds will be paramount, it is intended that the Council will be able to achieve enhanced returns. Details will be included within the forthcoming Treasury Management report in February.,

## 1. CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

- 1.1 The 2015 UK growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter.
- 1.2 Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.
- 1.3 The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.
- 1.4 There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.
- 1.5 The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of

2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

1.6 In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

**WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT AUGUST 2015**

**BANKS****INVESTMENTS UP TO 364 DAYS (3 MONTHS FOR EXPLICITLY GUARANTEED SUBSIDIARIES)**

Maximum investment limit with any one part or fully nationalised bank = £9m

Maximum investment limit with any one private sector bank = £5m

Group limit = £5m (£9m UK govt. part owned banks) (group = other banks on WDC list as identified below\* including explicitly guaranteed subsidiaries)

**MINIMUM FITCH RATINGS CREDIT RATING** = long term a+ (UK govt. part owned a), short term f1, viability rating of bbb. Sovereign country rating – at least equal to that of the UK (currently AA+).

**INVESTMENTS OVER 364 DAYS**

As above (but maximum overall investment per counterparty and/or group is £5m for a maximum of two years, subject to an overall limit of £15m ( including category a building societies, corporate bonds, corporate bond funds and property funds ) seek advice from capita asset services before placing deals in this category to ensure that the interest rate offered is appropriate.

Nb. - £15m over 364 day limit only applies to those investments where at 1<sup>st</sup> April the remaining term is greater than 364 days. Any over 364 day investment with 364 days or less to maturity at 1<sup>st</sup> April is deemed to be short term.

<b>BANK NAME</b>	<b>OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.</b>	<b>GROUP LIMIT APPLIES</b>
<b>AUSTRALIA ( AAA )</b> (Out of range @ 25.09.15)		
Australia & New Zealand Banking Group Ltd		
Commonwealth Bank of Australia		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *( Trading name of Clydesdale Clydesdale Bank*	Yes
Westpac Banking Corporation		

<b>CANADA ( AAA )</b>		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank ( Ireland ) Ltd* Scotia Bank Capital Trust ( United States )* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
<b>FINLAND (AAA)</b>		
Nordea Bank Finland	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
Pohjola Bank		
<b>GERMANY (AAA)</b>		
DZ Bank AG (Deutsche Zentral-genossenschaftsbank)		
Landesbanken Hessen-Thuringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
<b>HONG KONG (AA+)</b> (Monitoring)		
The Hong Kong & Shanghai Banking Corporation Ltd		
<b>LUXEMBOURG (AAA)</b>		
Clearstream Banking		
<b>SINGAPORE ( AAA )</b>		
DBS Bank Ltd	DBS Bank ( Hong Kong )*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
<b>SWEDEN ( AAA )</b>		

Nordea Bank AB	Nordea Bank Denmark* Nordea Bank Finland Nordea Bank Norge* Nordea Bank North America*	Yes
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
<b>UNITED KINGDOM ( AA+ )</b>		
HSBC Bank plc	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
Standard Chartered Bank-( out of range @ 25.09.2015)		
Lloyds Banking Group Including :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
<b>UNITED STATES OF AMERICA ( AAA )</b>		
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
Bank Of America		
Bank of New York Mellon	Bank of New York ( Delaware USA )* Bank of New York ( New York USA )* Bank of New York Trust Company*	
Citibank- (monitoring status)		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc*	



	NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

### **BUILDING SOCIETIES – CATEGORY A**

#### **INVESTMENTS UP TO 364 DAYS**

Maximum investment limit with any one building society = £4m

Minimum Fitch ratings credit rating = at least equal to UK sovereign rating (currently AA+), long term a+ and short term f1

None

#### **INVESTMENTS OVER 364 DAYS**

Category a building societies (L/T a+, S/T F1 & support BBB/1) up to £1m for up to 2yrs subject to overall £15m limit for over 364 day investments

### **BUILDING SOCIETIES – CATEGORY B**

Maximum investment limit = £2m

Maximum length of investment = 364 days

Minimum Fitch ratings credit rating = at least equal to UK (currently AA+) sovereign rating, long term less than a+ and short term f1 or above

- Coventry
- Nationwide

### **BUILDING SOCIETIES – CATEGORY C**

All other building societies in the top 20 (at 04.04.15) ranked by asset value (floor £500m)

Maximum investment limit = £1m

Maximum length of investment = 3 months

Group limit = £8m

- Yorkshire
- Skipton
- Leeds
- Principality
- West Bromwich
- Newcastle
- Nottingham
- Progressive
- Cumberland
- National Counties
- Saffron
- Cambridge

- Monmouthshire
- Furness
- Leek United
- Newbury
- Manchester
- Ipswich

### **NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS**

Maximum investment limit = £9m

Maximum length of investment = 364 days

## **LOCAL AUTHORITIES INCLUDING POLICE & FIRE AUTHORITIES**

Maximum investment limit = £9m

Maximum length of investment	Short term – up to and including 364 days
	Long term – over 364 days and up to 5 years subject to overall over 364 day limit of £15m

Any local authority in Great Britain and Northern Ireland at the discretion of the Head of Finance

## **SUPRANATIONAL INSTITUTIONS / MULTI-LATERAL DEVELOPMENT BANKS**

Minimum Fitch credit rating = AAA or government guaranteed

Maximum investment limit = £5m per counterparty

Maximum length of investment = 364 days. Seek advice from capita asset services before placing deals in this category to ensure that the interest rate offered is appropriate.

European Community

European Investment Bank

African Development Bank

Asian Development Bank

Council of Europe Development Bank

European Bank for Reconstruction & Development

Inter-American Development Bank

International Bank of Reconstruction & Development

Or any other Supranational/Multi-Lateral Development Bank meeting criteria

## **CNAV MONEY MARKET FUNDS**

Minimum credit rating – Standard and Poors aaam or Moodys AAA-mf or Fitch AAAMMF

Maximum investment limit = £9m

Maximum length of investment = not defined – depends on cash flow

## **CURRENT**

Aim Global (£9m limit)

Deutsche (£9m limit)

Prime Rate (£9m limit)

Goldman Sachs (£9m limit)

Ignis (£9m limit)

Any other MMF satisfying above credit rating criteria (£9m limit)

## **VNAV MONEY MARKET FUNDS**

Minimum credit rating – Standard and Poors AAAs1 or MOODY'S Aaa-bf or Fitch AAA/V1

Maximum investment limit = £6M (also group limit)

Maximum length of investment = not defined – depends on cash flow.

## **CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 1**

### **SHORT TERM**

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by private sector Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty =£5m for maximum of 364 days subject to overall group limit of £5m.

### **LONG TERM – CORPORATE BONDS ONLY**

Senior Unsecured Corporate Bonds issued by Financial Institutions with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m

## **CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 2**

### **SHORT TERM**

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note- maximum limit per counterparty =£9m for maximum of 364 days subject to overall group limit of £9m.

### **LONG TERM – CORPORATE BONDS ONLY**

Senior Unsecured Corporate Bonds issued by Financial Institutions part or wholly owned by the UK Government and with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£9m for maximum of 2 years subject to overall group limit of £9m and overall over 364 day limit of £15m.

## **CORPORATE BONDS AND FLOATING RATE NOTES – CATEGORY 3**

### **SHORT TERM**

Senior Unsecured Corporate Bonds and Floating Rate Notes issued by Corporate Entities with minimum Fitch rating of A + and sovereign rating at least equal to that of the UK at the time of purchasing the bond or note - maximum limit per counterparty =£3m for maximum of 364 days.

### **LONG TERM – CORPORATE BONDS ONLY**

Senior Unsecured Corporate Bonds issued by Corporate Entities with minimum Fitch rating of A + and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£3m for maximum of 2 years subject to overall 364 day limit of £15m.

## **CORPORATE BOND FUNDS**

### **LONG TERM ONLY**

Any Corporate Bond Fund with a minimum investment grade rating of BBB (Fitch). £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

## **COVERED BONDS**

### **CATEGORY 1**

#### **SHORT TERM**

Covered Bonds issued by private sector, Financial Institutions and Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 364 days.

#### **LONG TERM**

Covered Bonds issued by private sector, Financial Institutions and Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£5m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

### **CATEGORY 2**

#### **SHORT TERM**

Covered Bonds issued by Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond- maximum limit per counterparty = £9 million for maximum of 364 days.

#### **LONG TERM**

Covered Bonds issued by private sector, Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£9m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

### **CATEGORY 3**

#### **SHORT TERM**

Covered Bonds issued by Corporates with minimum Fitch rating of A+ and sovereign rating at least equal to that of UK at the time of purchasing the bond- maximum limit per counterparty = £3 million for maximum of 364 days.

#### **LONG TERM**

Covered Bonds issued by private sector, Financial Institutions wholly owned or part owned by UK Govt. with minimum Fitch rating of A+ and sovereign rating at least equal to that of the UK at the time of purchasing the bond - maximum limit per counterparty =£3m for maximum of 2 years subject to overall group limit of £10m and overall over 364 day limit of £15m.

### **BANK BILLS**

Minimum credit rating determined by External Fund Manager, maximum investment of £5 million for maximum of 364 days.

### **POOLED PROPERTY FUNDS ( E.G. REITS )**

**LONG TERM ONLY**

Any Pooled Property Fund authorised by the FS&MA. £5m per counterparty for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

**CCLA PROPERTY FUND**

**LONG TERM ONLY**

£5m for a maximum of 10 years subject to Corporate Bond Fund/Property Fund group limit of £10m and overall over 364 day limit of £15m.

**UK GOVERNMENT**


**UK Government Debt Management Account Facility**

Maximum investment limit = £12m  
Maximum length of investment = 364 days.

**UK Government Gilt Edges Securities**

**UK Government Treasury Bills**

Maximum investment limit = £9m  
Maximum length of investment = not defined.

 <b>Finance and Audit Scrutiny Committee</b> <b>1 December 2015</b>		<b>Agenda Item No. 5</b>
<b>Title</b>	Internal Audit Quarter 2 2015/16 Progress Report	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee – 2 September 2015	
<b>Background Papers</b>	Internal Audit Reports	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A: no direct service implications

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	13 Nov 2015	Chris Elliott
Section 151 Officer	13 Nov 2015	Mike Snow
Monitoring Officer	13 Nov 2015	Andrew Jones
Human Resources		
Finance	13 Nov 2015	As Section 151 Officer
Portfolio Holder	13 Nov 2015	Councillor Whiting
<b>Consultation and Community Engagement</b>		
None other than consultation with members and officers listed above.		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 **SUMMARY**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2015/16, summarises the audit work completed in the second quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

## 2 **RECOMMENDATIONS**

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

## 3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

## 4 **ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

## 7 **RISKS**

- 7.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 7.2 It is difficult to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

## 8 **ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES**

- 8.1 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.



- 8.2 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
  - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 8.4 The following sections provide information to satisfy these requirements.

## 9 **PROGRESS AGAINST PLAN**

- 9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2015/16 is set out as Appendix 2.
- 9.2 As can be seen, satisfactory progress is being made in respect of completing the Plan.

## 10 **ASSURANCE**

- 10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
- 10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

### **Assurance Levels**

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

## 11 **INTERNAL AUDIT ASSIGNMENTS COMPLETED DURING QUARTER**

- 11.1 Seven audits were completed in the second quarter of 2015/16. Copies of all the reports issued during the quarter are available for viewing on the following hyper-link: [Reports](#).

- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 11.4 One of the audits completed during the quarter was awarded a lower than substantial assurance opinion. The audit was Customer Access Facilities. In line with procedure the report relating to this audit is set out as Appendix 4 for specific scrutiny.

## 12 **IMPLEMENTATION OF RECOMMENDATIONS ISSUED PREVIOUSLY**

- 12.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
  - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the **third quarter of 2014/15** is set out as Appendix 5 to this report. (Ordinarily, the state of implementation of **high risk** recommendations issued in the **first quarter of 2015/16** would also be included in this appendix but there was none on this occasion.)
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

## 13 **REVIEW**

- 13.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

**GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES**

**Public Sector Internal Audit Standards 2013**

Independence and Objectivity

The chief audit executive must...establish effective communication with, and have free and unfettered access to...the chair of the audit committee.

Glossary

Definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

**Audit Committees: Practical guidance for Local Authorities (CIPFA)**

Core Functions

Audit committees will:

... Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's report and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

## **Called to Account: The Role of Audit Committees in Local Government (Audit Commission)**

### Monitoring Audit Performance

#### *Auditor/officer collaboration*

Slow delivery and implementation of recommendations reduces the audit's impact and can allow fraud to flourish or service delivery to deteriorate. Audit committees can play a key role in ensuring that auditors and officers collaborate effectively. This can enable auditors' reports to be dovetailed into the relevant service committee cycles and ensure that officers respond promptly to completed audit reports.

#### *Management response*

An audit committee can ensure that officers consider these recommendations promptly, and act on them where auditors have raised valid concerns.

#### *Implementation*

Agreed recommendations arising from audit work need to be implemented. Councils should have a forum for considering the contribution of internal and external audit and for ensuring that audit is, in practice, adding value to corporate governance.

Audit committees can be a powerful vehicle for securing implementation of audit recommendations and thereby improve the operation and delivery of Council activities.

## **CIPFA Technical Information Service Online**

### Audit Reporting

#### *Introduction*

Internal auditors should produce periodic summary reports of internal audit's opinion and major findings.

The...report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the soundness or otherwise of the organisation's internal control system. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

### *Periodic Internal Audit Reports*

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently. Members or non-executive directors' interest in internal audit should normally be restricted to gaining an assurance that the organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any shortcomings are rectified promptly.

Audit committee members should not usually get involved in discussing individual internal audit findings or recommendations but should concentrate their attentions on the opinions internal audit express on the activities and systems they have reviewed. These opinions should be summarised and should provide a clear opinion on the overall quality of the organisation's internal control system and the general level of performance across the organisation. Members or non-executive directors should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and that these have been promptly implemented.

If, however, major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

**INTERNAL AUDIT PROGRESS 2015/16: QUARTER 2****ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	254.0	127.0	108.5	+18.5
<u>Other Time</u>				
Sundry audit advice	25.0	12.5	10.6	+1.9
Special investigations (e.g. Fraud/Irregularities)	28.0	14.0	17.6	-3.6
Corporate and departmental Initiatives	35.0	17.5	33.8	-16.3
Non-chargeable activities	112.0	56.0	52.6	+3.4
Leave and other absences	110.0	55.0	62.1	-7.1
<i>Total Other Time</i>	310.0	155.0	176.7	-21.7
<i>Total Time</i>	564.0	282.0	285.2	-3.2

**Time spent: Assignments Completed – Planned Vs Actual**

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Housing Investment / Maintenance Programmes	14.0	15.6	+1.6
Sundry Debtors	Contracted-out audit		
Insurances	Contracted-out audit		
Private Sector Housing Grants	11.0	10.8	+0.2
Estate Management	8.0	8.8	-0.8
Highways Functions	7.0	9.0	-2.0
Customer Access Facilities	12.0	10.1	+1.9

**Explanation of variances where greater than 2 days (unless within 20%):**

Not applicable.

**Completion of Audit Plan: Target Vs Actual**

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
35	12	35.0	12	35.0	0	0.0

**SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS**  
**ISSUED QUARTER 2, 2015/16**

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
<b>Housing Investment / Maintenance Programmes – 28 September 2015</b>				
4.2.14	Changes to programmes of works should be formally documented.	Low	Asset Manager	Variation documentation is in place but appears to have fallen out of use under the open book contracts. All staff to be reminded to use formal documentation. October 2015.
4.2.27	The next payment in respect of the painting and decorating contract should be amended to include payment for the works undertaken at [REDACTED] (address).	Low	Contract Administrator	It is reasonable for this to be concluded at final account stage. However, the Contract Administrator will include this on the next possible payment. October 2015.
4.3.9	The proposed monthly budget monitoring meetings should be held going forward and requests from Finance for details of potential variances are responded to.	Low	Asset Manager / Principal Accountant	Diary conflicts between the Asset Manager and the Principal Accountant prevented scheduled meetings from taking place. The Asset Manager will schedule new meetings and defend time for these meetings to take place despite evolving corporate priorities. October 2015.

<sup>1</sup> Risk Ratings are defined as follows:

- High: Issue of significant importance requiring urgent attention.
- Medium: Issue of moderate importance requiring prompt attention.
- Low: Issue of minor importance requiring attention.

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Sundry Debtors – 1 July 2015</b>				
No recommendations were required.				
<b>Insurances – 1 September 2015</b>				
4.1.3	The Insurance & Risk Officer should obtain details of significant future high value investment programmes in relation to housing stock and future treasury investment plans to assess Fidelity Guarantee maximum limits, updating insurance cover if appropriate.	Medium	Head of Finance / Insurance & Risk Officer	<p>All indemnity levels are kept under review.</p> <p>In assessing the limit, account has to be taken of the controls in place and the amount of money which it is felt could be taken before the loss is discovered.</p> <p>Increasing the limit will increase the premium payable and could make insurers feel that we are not confident about our controls. Insurers have been asked to provide an indicative quote to double the sum insured – it has been made clear this is to assist us in considering the audit recommendation.</p> <p>Consideration could also be given to having a higher level of cover for specified staff having regard to the levels of expenditure that they can authorise. It would take time to assess who this would apply to and appropriate levels to apply.</p> <p>During the audit the auditor quoted many authorities as having a limit of £10m but most of these were unitary, metropolitan or county councils.</p> <p>The IARO will contact Insurance Officers at District and Borough authorities in the Midlands asking for details of their limit of indemnity so we can compare.</p> <p>Advice will also be taken from our broker.</p> <p>30 September 2015.</p>



<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.1.6	The Insurance & Risk Officer should update the insurance procedures manual for hirer's liability, insurance excess and provisions.	Low	Insurance & Risk Officer	Hirers' liability notes have been produced. Notes on calculation on insurance provisions and reserve will be produced when estimate figures for 2015/16 are done. 31 December 2015.
<b>Private Sector Housing Grants – 14 August 2015</b>				
4.2.10(1)	Risks in respect of private sector housing grants evaluated and considered for incorporation in the Housing and Property Services Risk Register.	Low	Head of Housing and Property Services	The risk register will be reviewed and updated to incorporate specific risks in relation to private sector housing grants. 01/10/2015.
4.2.10(2)	The Housing Assessment Team project should be incorporated as a key project in the Service Delivery Plan for Housing and Property Services at the next drafting.	Low	Head of Housing and Property Services	The 2015/16 Service Delivery Plan has been drafted for approval by Executive and includes the HAT project as a specific key project. 01/10/2015.

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.3.12	Staff should be instructed to carefully verify that all requisite formalities on each housing grant case are completed before closing the cases in the system.	Low	Private Sector Housing Manager/ HAT Project Manager	<p>Staff have been reminded of what actions they need to take before closing cases. There will be a 100% check of completed DFG's over £5,000, until the end of the pilot on 31/03/16.</p> <p>We are seeking technical assistance to amend the APP Civica system templates so that a case cannot be closed until the required actions have been completed. The HAT Project Manager has a meeting with the APP Civica Administrator on 24/08/15 to progress this work.</p> <p>Immediate.</p>
<b>Estate Management – 25 August 2015</b>				
4.3.3	Completion of weekly and weekend site inspection reports should be reintroduced and monitored.	Medium	Housing Support Team Manager	This can start straight away and DMC will collate the data as it comes back. 30/09/2015.
4.3.7	Minutes of Estate Supervisor quarterly meetings should be taken and distributed as appropriate.	Low	Housing Support Team Manager	This will start from the next team meeting; this will probably be after the re-design has been completed in December. January 2016.
4.4.2	An up-to-date inventory of furniture and equipment should be compiled and a copy forwarded to the Insurance Officer. Once compiled it should be updated and forwarded at least annually.	Medium	Housing Support Team Manager	This is currently underway by business support team. December 2015.

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.5.3	The Estate Supervisors should be reminded of the importance of using the Tunstall lone worker system and compliance should be monitored.	Medium	Housing Support Team Manager	I have asked for a report for past 3 months to monitor use and advise the team. 30/09/2015.
<b>Highways Functions – 30 September 2015</b>				
No recommendations were required.				
<b>Customer Access Facilities – 30 September 2015</b>				
4.3.9	The annual orders for CTalk and Firmstep should be amended to reduce the outstanding commitment.	Low	Policy & Performance Officer	The Policy & Performance Officer is to speak to the Assistant Accountant to rectify this error. 30/09/15.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE  
ISSUED QUARTER 2 2015/16**

**Customer Access Facilities – 30 September 2015**

**1 Introduction**

- 1.1 In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2012.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

**2 Background**

- 2.1 The Customer Service Centre (CSC) is currently located at Shire Hall, with a shared service being operated by Warwickshire County Council. However, it is proposed that the service, in a form yet to be finalised, will return to the council as the current, joined-up, service is no longer sustainable. This proposal is due to be put to the Executive on 30 September 2015 for a decision to be made.
- 2.2 Management of the service used to fall under the remit of the Head of Corporate & Community Services. However, following the abolishment of that department, it now comes under Neighbourhood Services.

**3 Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place, as at the time of the audit, before the final decision as to whether to terminate the shared arrangement has been taken.
- 3.2 As a review of the future of the CSC was imminent at the commencement of the audit, the scope was limited to this 'contact channel', with the other facilities, i.e. the One Stop Shops and the council's website, not being reviewed as part of this audit, although some aspects which were common to other services were touched upon where appropriate.
- 3.3 In terms of scope, the audit covered the following areas:
- Staffing, training and resource allocation
  - Performance monitoring
  - Financial planning and monitoring.

- 3.4 The audit programme identified the expected controls. The control objectives examined were:
- Sufficient, trained, staff are available to deal with 'service requests'
  - The CSC are able to deal with new or amended services when they 'go live'
  - Staff performance is monitored to ensure that customers receive the best service
  - Customers can access the services at the first attempt
  - Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
  - The council is aware of any potential budget variances
  - Payments are valid and accurate and processed in accordance with the agreed terms and conditions
  - The costs of these services are appropriately recharged to service areas.

## **4 Findings**

### **4.1 Staffing, Training & Resource Allocation**

- 4.1.1 The Customer Service Manager – Telephones North (CSM) from Warwickshire County Council (WCC) advised that a workforce management system (QMax) is in place alongside the new telephony system (CTalk), which has been in place for approximately 18 months.
- 4.1.2 There is a facility for call data to be extracted from CTalk into QMax that will allow for historical data, relating to call volumes by service, to be matched to the skill sets of the CSC Advisers to help resource planning for anticipated maximum call volume flows and demands. However, this functionality has not been utilised to date, pending the implementation of the upgrade to QMax.
- 4.1.3 Instead, the CSM highlighted that the experience of the Resource Coordinator is used to match the available staff to the shifts, taking into account the fairly stable call volumes. He advised that each shift should have sufficient numbers of staff trained in each service to deal with these anticipated call volumes plus one person skilled in all services to keep the lines open.
- 4.1.4 Where specific events are known to be coming up (e.g. Council Tax bills or summonses are being issued), the Team Leaders will talk to their service leads to get an idea of how much of an issue this is expected to create and this will be fed into the planning.
- 4.1.5 The CSM advised that, in the majority of instances, new staff are trained in three main (WCC) services first, namely highways, libraries and registrars. This is because they are short training courses, they take up a lot of the call volume and the calls are generally short in duration.

- 4.1.6 Training will subsequently be given in the other, more complex, services, such as housing and revenues services. These are considered more difficult as they are not embedded services on the Customer Relationship Management (CRM) system (Firmstep).
- 4.1.7 However, in some circumstances (e.g. the loss of a number of experienced Advisers), training may be given in these services first, to ensure that the right skill mix is available within the teams. It may also depend on the 'recruitment window' (e.g. if the new staff start in time for known peaks for certain services). Training is, however, limited as there are only two trainers to cover all staff.
- 4.1.8 The training needs in relation to each service are recorded on the skills matrix that is maintained. This was seen during the audit.
- 4.1.9 The CSM highlighted that there are no set training plans as such, but weekly training group meetings are held at which point the training needs of individual staff members will be discussed, along with details of training sessions that are planned. Sample details were provided to confirm that these discussions were being held.
- 4.1.10 As well as the needs of the service, the capacity of each staff member, in terms of their ability to take on more services, will also be taken into account when training is being considered.
- 4.1.11 He also highlighted that the system for allocating the calls is fairly straightforward in that the system will allocate the call to the Adviser who has the relevant skill set recorded and has been in the 'Ready' state the longest.
- 4.1.12 Each Team Leader has specific service responsibility, with a balance between district and county services. The Team Leaders will correspond with the relevant service managers, with quarterly meetings being held to identify if there are any planned changes in relation to the service or forthcoming events that may affect the calls being taken. Following these meetings, briefing notes will be prepared and distributed to staff and sample details were provided as evidence.
- 4.1.13 General management meetings were also being held between WCC staff (including the CSM) and the WDC Policy & Performance Officer (PPO) to provide any updates around the general running of the CSC.
- 4.1.14 The PPO raised some general concerns regarding the timeliness of the council informing the CSC of planned events and also the performance of certain sections within the council that lead to customers having to make repeated calls, which has an obvious knock-on effect in the amount of resources required and performance levels.

## **4.2 Performance Monitoring**

- 4.2.1 The performance of individual staff members is monitored by listening to samples of the calls that they have taken. Team Leaders will make judgement calls on who to focus on, which could be as a result of the Adviser being a new member of staff, someone new to their team or if issues have been flagged.
- 4.2.2 When the calls are listened to, call coaching forms are completed and the calls are scored. Where the call quality level is lower than expected it will be flagged and refresher training would subsequently be provided.
- 4.2.3 Documentation relating to a specific staff member was provided as an example of this, with sample call monitoring forms along with one-to-one performance reviews and development plans being provided to evidence the additional training that had been provided.
- 4.2.4 The CSM also highlighted that the Team Leaders have weekly team meetings and suggested that the Adviser quality monitoring would be raised fairly frequently. An extract from meeting minutes was provided to evidence that the training needs of the individual had been covered as part of meetings held.
- 4.2.5 As part of the discussions during Team Leader meetings, feedback may be provided to ascertain whether any common themes were emerging which may indicate that something had been missed from the training.
- 4.2.6 In terms of overall monitoring of the service, monthly reports are produced from the system, detailing summary figures down into calls relating to the different services as well as total figures.
- 4.2.7 The main performance indicators used are the grade of service and the number of abandoned calls. The grade of service is shown as the percentage of calls that are answered within the target time (20 seconds). The sample report provided covering April and May 2015 showed that this was only just above 50%.
- 4.2.8 The CSM highlighted that this was a known issue and that the main focus for the current year was the abandoned call rate. This stood at over 13% for the first two months.
- 4.2.9 Whilst this level of performance is considered unacceptable, there is no service level agreement in place between the two councils which sets out the expected performance levels or any actions that can be taken as a result of this.
- 4.2.10 If the service was to continue in its current form, then this would lead to a recommendation. However, there may still be a need for a service level agreement to be drawn up in relation to any continuing services (e.g. if any of the systems are to be shared etc.).

### **4.3 Financial Planning & Monitoring**

- 4.3.1 The PPO advised that he had not been involved in the setting of the budget for the current financial year. Neighbourhood Services only took over responsibility for the service in September 2014 and the budget had been pretty much left to roll over, as nobody had taken responsibility for it for a while.
- 4.3.2 He highlighted that, as part of the review of the service this year, he has found a couple of budget lines that are too high, specifically around some of the IT charges, and that these will be taken into account going forward.
- 4.3.3 The PPO advised that he has monthly meetings with the Assistant Accountant to go through the budget position. These cover all of the relevant budgets and not just the CSC and he produces reports from TOTAL to show all of the relevant budgets. A sample copy was provided.
- 4.3.4 For the main CSC budget, the only material non-staff budget is for computer equipment costs. This is used for WDC's share of the CTalk and Firmstep costs which are initially paid by the council on behalf of all of the relevant authorities.
- 4.3.5 The Assistant Accountant processes the recharges in respect of these systems, based on actual invoices, on a quarterly basis and she provided spreadsheets that set out how these recharges are calculated. These are provided by the Warwickshire Direct Partnership Manager (WDPM) who calculates the apportionment of the bills.
- 4.3.6 It was noted, however, that the figures on the apportionment spreadsheet for CTalk did not tie in with the corresponding figures on the invoicing schedule sheet.
- 4.3.7 The figures were queried with the WDPM who confirmed that an error had been made. A new spreadsheet was subsequently provided with the correct figures included, along with an updated invoicing schedule that includes an adjustment line to correct the error when the next recharges are processed.
- 4.3.8 It was also confirmed that the council is not currently paying anything towards the call charges invoices as they were encompassed in the single CSC charge, although this was not reflected in discussions with the PPO and the CSM (see below), which suggested that the CSC charge to the council was only in respect of staff costs.
- 4.3.9 Upon review of the cost centre used for the initial system payments it was noted that commitments have been raised for the annual costs of the two systems. However, it was noted that orders had also been raised for one month's costs before the annual orders were raised, so the budget is overcommitted by £26,500.



## **Risk**

**Budget monitoring may not be accurate.**

## **Recommendation**

**The annual orders for CTalk and Firmstep should be amended to reduce the outstanding commitment.**

- 4.3.10 Actual costs are below the amounts included on the order, so a saving may be realised on the council's share of these costs compared to the budgeted figures.
- 4.3.11 Payments in respect of the CSC are made in relation to staff costs, for the equivalent of ten staff employed by WCC as opposed to the staff that the council still directly employs.
- 4.3.12 Payments have previously been made on an annual basis and an invoice for 2014/15 was found to be in place. The PPO advised that the payments were to be made on a quarterly basis going forward, although no payment had been made for the current financial year at the time of audit testing.
- 4.3.13 Payments to CTalk and Firmstep are made on a monthly basis, and invoices were found to be in place. The invoices sampled had all been appropriately signed by the PPO who is an authorised signatory.
- 4.3.14 As previously highlighted, call statistics are recorded on the system at the CSC and these are made available to the council for recharge purposes. These statistics included the number of calls recorded against each service along with the average duration of these calls, to allow for weighting to be applied. Some calls had not been directly attributed to individual services, so these were further apportioned across the codes.
- 4.3.15 The total cost for each relevant cost centre was then calculated, based on the nominal budget figure. The figures provided by the Assistant Accountant were checked against the figures allocated to each code as per the TOTAL ledger system. This highlighted discrepancies against each cost centre.
- 4.3.16 The Assistant Accountant explained that this would have been due to the apportionment of the actual costs, and advised that the figures would have been entered into a template maintained by the Strategic Finance Manager, with some rounding then taking place.

## **5 Summary & Conclusion**

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of the operation of the Customer Service Centre are appropriate and are working effectively.

- 5.2 A number of issues were identified during the course of the audit:
- No service level agreement between the council and WCC regarding the running of the CSC had been in place
  - General performance levels were below the targets set
  - Costs relating to the CTalk system had not been correctly apportioned
  - Orders had been incorrectly raised in relation to the IT systems.

5.3 Only one recommendation is included in the report, as some of the other issues were rectified when they were highlighted during the course of the audit, and others may not be relevant going forward due to the possible termination of the shared service. However, these issues need to be noted as some may be relevant regardless of the form that the service takes in the future.

## **6 Management Action**

6.1 The recommendation arising above is reproduced in the Action Plan for management attention.

**CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS**  
**ISSUED IN QUARTER 3 2014/15**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Payroll and Staff Expenses – 19 December 2014</b>		
The establishment on the HRMS system should be reviewed and updated to ensure that it reflects the current agreed structure of the council.	<i>Senior HR Officer (SF):</i> This is being addressed as part of the project to move the HR and Payroll database to Coventry. March 2015.	Move to new Payroll Bureau at Coventry City Council (CCC) has enabled us to cleanse the data to ensure representation of current structure. This is still being reviewed as part of the ongoing implementation of the system. (TD)
The quarterly reports to managers should be reinstated to enable managers to review their staffing lists.	<i>Senior HR Officer (SF):</i> As above.	As above we are presently reviewing the reports available to us from CCC and how to present the MI in a meaningful way to managers. (TD)
The HR Handbook should be reviewed to ensure that all details are still relevant.	<i>Senior HR Officer (EP):</i> This work is already in progress. April 2015.	Ongoing review as part of the Intranet project. (TD)
Proforma email forms should be created for changes to permanent payroll information to ensure that all relevant information is received at the same time.	<i>HR Transactional Payroll Project Manager:</i> This will be picked up as part of the rollout of Manager Self Service. July 2015.	Completed April 2015. (TD)

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The authorised signatory list should be amended to include details of which officers can send through the email notifications.	<p><i>HR Transactional Payroll Project Manager:</i></p> <p>This will be automatic when self-service is rolled out.</p> <p>July 2015.</p>	Work in Progress as part of self service (TD)
Checks should be undertaken to ensure that all documents have been saved correctly following scanning onto FORTIS.	<p><i>HR Transactional Payroll Project Manager:</i></p> <p>Staff are going to attend a training course on the use of FORTIS. Double checking is not, however, deemed to be cost effective.</p> <p>March 2015.</p>	We are reviewing the use of FORTIS in line with internal files and Corporate Review of Scanning (TD)
Checks should be undertaken following any changes to pay rates to ensure that all affected elements on the system have been updated.	<p><i>HR Transactional Payroll Project Manager:</i></p> <p>Payroll staff will review pay elements every time there is a pay award where these elements are fixed amounts as opposed to being linked to an employee's hourly rate.</p> <p>January 2015.</p>	Coventry responsible for this as part of Payroll service – we check via monthly reports (TD)
A formal decision should be made as to whether the shortfall in monies recovered in respect of the car loan interest payments should be pursued with the ex-employee.	<p><i>HR Manager:</i></p> <p>It has been decided to write off this amount in the circumstances.</p> <p>Immediate.</p>	Confirmed that this has been written off.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
An independent review of the 'update own record' report should be reinstated.	<p><i>HR Transactional Payroll Project Manager:</i></p> <p>The reports are created monthly already. These will be scrutinised by the HR Manager on a monthly basis and signed off or investigated further as deemed appropriate.</p> <p>Immediate.</p>	Completed as part of payroll move to CCC
All manual calculations should be checked by another member of Payroll staff.	<p><i>HR Transactional Payroll Project Manager:</i></p> <p>The recommendation will be complied with.</p> <p>Immediate.</p>	Completed as part of payroll move to CCC
<b>Section 106 Agreements – 14 January 2015</b>		
A standard list of consultees should be drawn up for major applications.	<p><i>Development Team Leader:</i></p> <p>Agreed. The recommended action will be complied with.</p> <p>End Feb 2015.</p>	A list of standard consultees has been prepared and is in use by officers.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.	<i>Development Team Leader:</i> Agreed. The recommended action will be complied with. End Feb 2015.	All section 106 contributions are required to be fully supported by appropriate justification and evidence. This is an area of work that has come into increasing focus in connection with a number of recent planning appeals. Officers have been reminded of this through team meetings and 1-1s and this will continue to be the case in order to ensure that in all cases, appropriate justification is provided.
Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	<i>Development Team Leader:</i> Agreed. The recommended action will be complied with. End Feb 2015.	The monitoring of S106 agreements involves joint working with all partners who are in receipt of S106 contributions through their sharing of and inputting into the S106 spread sheet – this mechanism now ensures that they are aware of the outcome of applications.
A sealed copy of the relevant s106 agreement should be obtained.	<i>Development Manager (in conjunction with Legal Services):</i> Agreed. The recommended action will be complied with. End Feb 2015.	Working in conjunction with legal colleagues, all S106 agreements are sealed.
<b>Licensing Services – 20 January 2015</b>		
The Licensing Team should liaise with NDR to arrange access to council held Rateable Value data.	<i>Regulatory Manager:</i> NDR access to be arranged.	NDR to provide list in April/May to allow review prior to invoicing in October.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
When RVs are available the current bandings for premises licences should be compared.	<i>Regulatory Manager:</i> Work will be undertaken annually or upon receipt of a new or variation of an existing application.	This is now taking place for all new and variation applications. Difficult in the case of new build premises. RV checked once building is complete in these instances.  All premises have been reviewed this year.
Access should be arranged to Valuation Office schedules of changes to the Valuation List. They should be assessed regularly for any possible changes to premises bandings.	<i>Regulatory Manager:</i> Access to valuations list to be arranged. Frequency of access to be determined.	In place as above.
<b>Flood Risk Management – 27 November 2014</b>		
The Procurement Team should be contacted for advice on market testing the work currently undertaken by Wilkinsons.	<i>Environmental Sustainability Manager:</i> Tender documents to be prepared in January in readiness for awarding a new contract on 1 April 2015. 1 April 2015.	Discussed with Procurement Team in January 2015 but unable to progress as planned due to their workload. Tender documents have now been prepared to award new contract in early 2016.
Invoices for work undertaken for WCC should be raised at regular intervals on predetermined dates.	<i>Environmental Sustainability Manager:</i> HCP Business Support Officer to raise annual invoice at start of the year 1 April 2015.	Agreed to invoice for the full year at the start of the year from 1 April 2015.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Invoices should be raised in advance and not in arrears in accordance with the Code of Financial Practice.	<i>Environmental Sustainability Manager:</i> Area Engineers to provide HCP Business Support Officer with relevant and timely information. 1 April 2015.	As above.
The situation with income from the County for Highways Culvert maintenance in 2013/14 should be investigated and reported as part of the corporate budget monitoring process.	<i>Environmental Sustainability Manager:</i> Environmental Sustainability Manager to discuss with WCC. 31 January 2015.	Completed as per implementation date.
As part of ongoing monthly budget monitoring any significant variations should be investigated and reported so that action can be taken as appropriate.	<i>Environmental Sustainability Manager:</i> ESM to action. 1 January 2015.	Implemented and on-going.
<b>Treasury Management – 4 December 2014</b>		
The daily procedure notes should be updated to reflect current practices, with the manual being updated to include current documentation.	<i>Principal Accountant (Capital &amp; Treasury Management):</i> The daily procedure notes will be updated as soon as possible. March 2015.	Still in progress due to workload pressures. Karen and I are meeting with other Treasury Management Officers in Oxford on 5 <sup>th</sup> November in order to discuss the level of detail generally accepted to be best practice for these documents.



RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A quarterly detailed reconciliation between Treasury Management investment spreadsheet records per counterparty/money market fund should be prepared and signed off as correct.</p>	<p><i>Principal Accountant (Capital &amp; Treasury Management):</i>            Quarterly detailed reconciliations will be performed and signed off at the end of each quarter beginning December 2014.            January 2015.</p>	<p>Implemented although not formally signed off as not printed as hard copy in line with policy of storing all documents wherever possible electronically.</p>
<p>The above reconciliation should detail any incorrect transaction values requiring journal adjustment between principal and interest received, with the objective of ensuring that the financial reporting to Executive is facilitated.</p>	<p><i>Principal Accountant (Capital &amp; Treasury Management):</i>            Any adjustments revealed during the quarterly reconciliations will be journaled on completion of the reconciliation in order to ensure that TOTAL is kept up to date.            January 2015.</p>	<p>Implemented.</p>

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager

**TO:** Head of Neighbourhood  
Services

**C.C.** Chief Executive  
Head of Finance  
Policy & Performance Officer

**SUBJECT:** Customer Access Facilities

**DATE:** 30 September 2015

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### **1 Introduction**

1.1 In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2012.

1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### **2 Background**

2.1 The Customer Service Centre (CSC) is currently located at Shire Hall, with a shared service being operated by Warwickshire County Council. However, it is proposed that the service, in a form yet to be finalised, will return to the council as the current, joined-up, service is no longer sustainable. This proposal is due to be put to the Executive on 30 September 2015 for a decision to be made.

2.2 Management of the service used to fall under the remit of the Head of Corporate & Community Services. However, following the abolishment of that department, it now comes under Neighbourhood Services.

### **3 Scope and Objectives of the Audit**

3.1 The audit was undertaken to test the management and financial controls in place, as at the time of the audit, before the final decision as to whether to terminate the shared arrangement has been taken.

3.2 As a review of the future of the CSC was imminent at the commencement of the audit, the scope was limited to this 'contact channel', with the other facilities, i.e. the One Stop Shops and the council's website, not being reviewed as part of this audit, although some aspects which were common to other services were touched upon where appropriate.

3.3 In terms of scope, the audit covered the following areas:

- Staffing, training and resource allocation
- Performance monitoring
- Financial planning and monitoring.

3.4 The audit programme identified the expected controls. The control objectives examined were:

- Sufficient, trained, staff are available to deal with 'service requests'
- The CSC are able to deal with new or amended services when they 'go live'
- Staff performance is monitored to ensure that customers receive the best service
- Customers can access the services at the first attempt
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The council is aware of any potential budget variances
- Payments are valid and accurate and processed in accordance with the agreed terms and conditions
- The costs of these services are appropriately recharged to service areas.

## **4 Findings**

### **4.1 Staffing, Training & Resource Allocation**

- 4.1.1 The Customer Service Manager – Telephones North (CSM) from Warwickshire County Council (WCC) advised that a workforce management system (QMax) is in place alongside the new telephony system (CTalk), which has been in place for approximately 18 months.
- 4.1.2 There is a facility for call data to be extracted from CTalk into QMax that will allow for historical data, relating to call volumes by service, to be matched to the skill sets of the CSC Advisers to help resource planning for anticipated maximum call volume flows and demands. However, this functionality has not been utilised to date, pending the implementation of the upgrade to QMax.
- 4.1.3 Instead, the CSM highlighted that the experience of the Resource Coordinator is used to match the available staff to the shifts, taking into account the fairly stable call volumes. He advised that each shift should have sufficient numbers of staff trained in each service to deal with these anticipated call volumes plus one person skilled in all services to keep the lines open.
- 4.1.4 Where specific events are known to be coming up (e.g. Council Tax bills or summonses are being issued), the Team Leaders will talk to their service leads to get an idea of how much of an issue this is expected to create and this will be fed into the planning.
- 4.1.5 The CSM advised that, in the majority of instances, new staff are trained in three main (WCC) services first, namely highways, libraries and registrars. This is because they are short training courses, they take up a lot of the call volume and the calls are generally short in duration.

- 4.1.6 Training will subsequently be given in the other, more complex, services, such as housing and revenues services. These are considered more difficult as they are not embedded services on the Customer Relationship Management (CRM) system (Firmstep).
- 4.1.7 However, in some circumstances (e.g. the loss of a number of experienced Advisers), training may be given in these services first, to ensure that the right skill mix is available within the teams. It may also depend on the 'recruitment window' (e.g. if the new staff start in time for known peaks for certain services). Training is, however, limited as there are only two trainers to cover all staff.
- 4.1.8 The training needs in relation to each service are recorded on the skills matrix that is maintained. This was seen during the audit.
- 4.1.9 The CSM highlighted that there are no set training plans as such, but weekly training group meetings are held at which point the training needs of individual staff members will be discussed, along with details of training sessions that are planned. Sample details were provided to confirm that these discussions were being held.
- 4.1.10 As well as the needs of the service, the capacity of each staff member, in terms of their ability to take on more services, will also be taken into account when training is being considered.
- 4.1.11 He also highlighted that the system for allocating the calls is fairly straightforward in that the system will allocate the call to the Adviser who has the relevant skill set recorded and has been in the 'Ready' state the longest.
- 4.1.12 Each Team Leader has specific service responsibility, with a balance between district and county services. The Team Leaders will correspond with the relevant service managers, with quarterly meetings being held to identify if there are any planned changes in relation to the service or forthcoming events that may affect the calls being taken. Following these meetings, briefing notes will be prepared and distributed to staff and sample details were provided as evidence.
- 4.1.13 General management meetings were also being held between WCC staff (including the CSM) and the WDC Policy & Performance Officer (PPO) to provide any updates around the general running of the CSC.
- 4.1.14 The PPO raised some general concerns regarding the timeliness of the council informing the CSC of planned events and also the performance of certain sections within the council that lead to customers having to make repeated calls, which has an obvious knock-on effect in the amount of resources required and performance levels.

## **4.2 Performance Monitoring**

- 4.2.1 The performance of individual staff members is monitored by listening to samples of the calls that they have taken. Team Leaders will make judgement calls on who to focus on, which could be as a result of the

Adviser being a new member of staff, someone new to their team or if issues have been flagged.

- 4.2.2 When the calls are listened to, call coaching forms are completed and the calls are scored. Where the call quality level is lower than expected it will be flagged and refresher training would subsequently be provided.
- 4.2.3 Documentation relating to a specific staff member was provided as an example of this, with sample call monitoring forms along with one-to-one performance reviews and development plans being provided to evidence the additional training that had been provided.
- 4.2.4 The CSM also highlighted that the Team Leaders have weekly team meetings and suggested that the Adviser quality monitoring would be raised fairly frequently. An extract from meeting minutes was provided to evidence that the training needs of the individual had been covered as part of meetings held.
- 4.2.5 As part of the discussions during Team Leader meetings, feedback may be provided to ascertain whether any common themes were emerging which may indicate that something had been missed from the training.
- 4.2.6 In terms of overall monitoring of the service, monthly reports are produced from the system, detailing summary figures down into calls relating to the different services as well as total figures.
- 4.2.7 The main performance indicators used are the grade of service and the number of abandoned calls. The grade of service is shown as the percentage of calls that are answered within the target time (20 seconds). The sample report provided covering April and May 2015 showed that this was only just above 50%.
- 4.2.8 The CSM highlighted that this was a known issue and that the main focus for the current year was the abandoned call rate. This stood at over 13% for the first two months.
- 4.2.9 Whilst this level of performance is considered unacceptable, there is no service level agreement in place between the two councils which sets out the expected performance levels or any actions that can be taken as a result of this.
- 4.2.10 If the service was to continue in its current form, then this would lead to a recommendation. However, there may still be a need for a service level agreement to be drawn up in relation to any continuing services (e.g. if any of the systems are to be shared etc.).

### **4.3 Financial Planning & Monitoring**

- 4.3.1 The PPO advised that he had not been involved in the setting of the budget for the current financial year. Neighbourhood Services only took over responsibility for the service in September 2014 and the budget had been pretty much left to roll over, as nobody had taken responsibility for it for a while.

- 4.3.2 He highlighted that, as part of the review of the service this year, he has found a couple of budget lines that are too high, specifically around some of the IT charges, and that these will be taken into account going forward.
- 4.3.3 The PPO advised that he has monthly meetings with the Assistant Accountant to go through the budget position. These cover all of the relevant budgets and not just the CSC and he produces reports from TOTAL to show all of the relevant budgets. A sample copy was provided.
- 4.3.4 For the main CSC budget, the only material non-staff budget is for computer equipment costs. This is used for WDC's share of the CTalk and Firmstep costs which are initially paid by the council on behalf of all of the relevant authorities.
- 4.3.5 The Assistant Accountant processes the recharges in respect of these systems, based on actual invoices, on a quarterly basis and she provided spreadsheets that set out how these recharges are calculated. These are provided by the Warwickshire Direct Partnership Manager (WDPM) who calculates the apportionment of the bills.
- 4.3.6 However, it was noted that the figures on the apportionment spreadsheet for CTalk did not tie in with the corresponding figures on the invoicing schedule sheet.
- 4.3.7 The figures were queried with the WDPM who confirmed that an error had been made. A new spreadsheet was subsequently provided with the correct figures included, along with an updated invoicing schedule that includes an adjustment line to correct the error when the next recharges are processed.
- 4.3.8 It was also confirmed that the council is not currently paying anything towards the call charges invoices as they were encompassed in the single CSC charge, although this was not reflected in discussions with the PPO and the CSM (see below), which suggested that the CSC charge to the council was only in respect of staff costs.
- 4.3.9 Upon review of the cost centre used for the initial system payments it was noted that commitments have been raised for the annual costs of the two systems. However, it was noted that orders had also been raised for one month's costs before the annual orders were raised, so the budget is overcommitted by £26,500.

## **Risk**

**Budget monitoring may not be accurate.**

## **Recommendation**

**The annual orders for CTalk and Firmstep should be amended to reduce the outstanding commitment.**

- 4.3.10 Actual costs are below the amounts included on the order, so a saving may be realised on the council's share of these costs compared to the budgeted figures.

- 4.3.11 Payments in respect of the CSC are made in relation to staff costs, for the equivalent of ten staff employed by WCC as opposed to the staff that the council still directly employs.
- 4.3.12 Payments have previously been made on an annual basis and an invoice for 2014/15 was found to be in place. The PPO advised that the payments were to be made on a quarterly basis going forward, although no payment had been made for the current financial year at the time of audit testing.
- 4.3.13 Payments to CTalk and Firmstep are made on a monthly basis, and invoices were found to be in place. The invoices sampled had all been appropriately signed by the PPO who is an authorised signatory.
- 4.3.14 As previously highlighted, call statistics are recorded on the system at the CSC and these are made available to the council for recharge purposes. These statistics included the number of calls recorded against each service along with the average duration of these calls, to allow for weighting to be applied. Some calls had not been directly attributed to individual services, so these were further apportioned across the codes.
- 4.3.15 The total cost for each relevant cost centre was then calculated, based on the nominal budget figure. The figures provided by the Assistant Accountant were checked against the figures allocated to each code as per the TOTAL ledger system. This highlighted discrepancies against each cost centre.
- 4.3.16 The Assistant Accountant explained that this would have been due to the apportionment of the actual costs, and advised that the figures would have been entered into a template maintained by the Strategic Finance Manager, with some rounding then taking place.

## **5 Summary & Conclusion**

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of the operation of the Customer Service Centre are appropriate and are working effectively.
- 5.2 A number of issues were identified during the course of the audit:
- No service level agreement between the council and WCC regarding the running of the CSC had been in place
  - General performance levels were below the targets set
  - Costs relating to the CTalk system had not been correctly apportioned
  - Orders had been incorrectly raised in relation to the IT systems.
- 5.3 Only one recommendation is included in the report, as some of the other issues were rectified when they were highlighted during the course of the audit, and others may not be relevant going forward due to the possible termination of the shared service. However, these issues need to be noted as some may be relevant regardless of the form that the service takes in the future.

## **6 Management Action**

- 6.1 The recommendation arising above is reproduced in the Action Plan for management attention.

Richard Barr  
Audit and Risk Manager



# INTERNAL AUDIT REPORT

**TO:** Head of Housing & Property Services  
**SUBJECT:** Estate Management

**CC** Chief Executive  
Deputy Chief Executive (BH)  
Head of Finance  
Sustaining Tenancies Manager  
Asbestos Contract Administrator  
Housing Support Team Manager  
**MY REF:** JK / ESM

**FROM:** Audit & Risk Manager  
**DATE:** 25 August 2015

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## 1 INTRODUCTION

- 1.1 As part of the 2015/2016 Audit Plan, an audit has recently been completed on the systems and procedures in place to manage the Estate Management function, i.e. the work undertaken by the Estates Supervisors.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

## 2 SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 The audit was undertaken in order to establish and test the controls over the management of the function.
- 2.2 Specifically the controls in the following areas were considered:
- Service provision and monitoring
  - Stocks and stores
  - Risk assessment and security

## 3 BACKGROUND

- 3.1 In terms of providing the service, Estate Management is unusual in that it is still based somewhat on a historical situation and it is inconsistent in how it is delivered.
- 3.2 The only supervised estates in the District, essentially blocks of flats, that have a dedicated Estate Supervisor are in Leamington. There are no Estate Supervisors in the other towns.

- 3.3 The current level of service bears little comparison with the original version when every high rise block in Leamington plus the flats on the Woodloes in Warwick had what was then called a Flats Superintendent. Their duties comprised carrying out site maintenance such as cleaning, gardening and minor repairs and they also carried out administrative duties including rent collection. All of them lived on site.
- 3.4 Various anti social issues at the larger blocks of flats and concerns over staff safety resulted in staff being unwilling to live on site. This led to some aspects of the service being delivered by contractors and eventually to the current position.
- 3.5 There are currently four Estate Supervisors covering the 'estates' in Leamington and the main parts of their duties are grounds maintenance and cleaning, general management of the site and health and safety and security. At two of the sites cleaning is carried out by a contractor.
- 3.6 The four Estate Supervisors would normally be managed by a Senior Estates Supervisor (SES). That post is currently vacant following the appointment of the previous postholder to another position within Housing and Property Services (H&PS). The duties of the SES are currently being undertaken by a number of staff in H&PS.
- 3.7 The Estate Supervisor service is currently subject to a redesign exercise which will see them become mobile, as opposed to site-based, covering the whole of the District and carrying out some additional routine tasks that are currently undertaken by contractors. The proposals have not been examined as part of the audit but they are mentioned as the impending changes may affect the responses to the recommendations.
- 3.8 The 2015/16 budget for the service is £143,800.

## **4 FINDINGS**

- 4.1 In overall terms, the audit concluded that the service is managed well. Little has changed since the last audit in May 2012 apart from the then SES moving to another post in H&PS and being replaced by a temporary SES from Comensura. The same four Estate Supervisors are in post and consequently well versed in the requirements and demands of the job.
- 4.2 In respect of the areas listed at 2.2 the findings are as follows:
- 4.3 **Service provision and monitoring**
- 4.3.1 The main part of the service is grounds maintenance and cleaning and therefore fairly repetitive and predictable. In addition the Estate Supervisors carry out regular checks covering fire safety, health and safety and communal lighting.

- 4.3.2 Until a few years ago the Estate Supervisors submitted a weekly site inspection report and a fire safety checklist and also weekend versions. The submission of the weekly reports was dispensed with and the only requirement was to submit the weekend versions. Hard copy weekend reports were seen for one of the Estate Supervisors but they were not readily available for the other three as, despite apparently being completed, they had not been uploaded to the relevant directory.
- 4.3.3 Submission of the inspection reports is not an onerous task as completion is very much a "tick box" exercise. They have printed on them "Please ensure that this paperwork is fully completed, these documents are important for reference and legal reasons". Without them there is no evidence that the communal areas, lifts, escape routes, fire warning systems etc have been inspected and found to be problem free.

### **Risk**

***The absence of reliable and complete inspection records could make it difficult to defend a claim resulting from an accident or injury.***

***The council's reputation would suffer if case reporting included reference to the absence of inspection records.***

### **Recommendation**

***Completion of weekly and weekend site inspection reports should be reintroduced and monitored.***

- 4.3.4 In normal circumstances the SES makes regular but unannounced visits to all of the sites to ensure that standards are being maintained and that staff are on duty as expected.
- 4.3.5 The staff operate a "buddy system" such that if one of them is absent from work for any reason their counterpart will provide basic cover at other sites during that period.
- 4.3.6 Health and safety inspections are necessary at the weekend and these are undertaken as overtime by three of the Estate Supervisors. Work undertaken is recorded and claimed in the usual way and duly checked and authorised. A sample of claims was checked and found to be in order. Overtime has a specific budget and over the last three years total payments have been at or around the budgeted figure.
- 4.3.7 The SES sees the Estate Supervisors regularly on site when relevant service and site-related issues are discussed. He meets with all four of them every quarter in the form of a team meeting and usually there is no record of the meeting as minutes are not taken. The SES saw no need for minutes as he claimed that any follow-up actions from the meeting would be dealt with immediately so there would be no issues outstanding. (Meetings to discuss the

proposals for the redesign of the service are led by the Sustaining Tenancies Manager.)

**Risk**

***The absence of minutes and therefore any record of a meeting make it impossible to show what was discussed and decided and if any follow up action was allocated to a particular Estate Supervisor.***

**Recommendation**

***Minutes of Estate Supervisor quarterly meetings should be taken and distributed as appropriate.***

**4.4 Stocks and stores**

4.4.1 The Estates Supervisors currently have no on-site IT facilities and no access to council systems. Any use of IT is via their personal equipment. All purchasing is channelled through the SES who in turn relies on other staff in H&PS to raise orders. Purchasing does not form a significant part of the overall service budget with most purchases being for routine cleaning and maintenance items. Exceptions are the purchase of grounds maintenance equipment.

4.4.2 An examination of orders raised on Total since 1 April 2014 did show that a small number of higher value items had been purchased but it was not possible to trace them to the inventory as it is incomplete. The latest inventory is only partially complete as it does not cover all sites, contains very few dates and no values. The latest complete inventory available for Estate Management is dated 2009.

**Risks**

***Without an up to date inventory, managers do not have reliable and readily available details of furniture and equipment that they are accountable for.***

***Information will not be available in the event of a claim following fire, theft or other loss.***

***The value of equipment insured will be unreliable.***

**Recommendation**

***An up-to-date inventory of furniture and equipment should be compiled and a copy forwarded to the Insurance Officer. Once compiled it should be updated and forwarded at least annually.***

4.4.3 Budgetary control is not a major issue for the service as most expenditure is relatively fixed with very little scope for discretion (the budgets for equipment,

furniture and materials this year total £9,500). It is undertaken by the Housing Accountant in Finance in conjunction with relevant H&PS staff.

4.4.4 Purely for information, the total budget for the service reduced from £209,400 in 2009/2010 to £143,800 in 2015/16.

#### 4.5 **Risk assessment and security**

4.5.1 The Estate Supervisors' duties often involve chemicals, the use of machinery or ladders and the risk to personal safety from working alone. Risk assessments of all their normal tasks have been undertaken and they are recorded in Assessnet. Most risks are classified as medium or low. All of the risks are currently due for review.

4.5.2 Most of the time the Estate Supervisors work alone and consequently they are set up to use the Tunstall lone worker system which involves registering their movements with the Warwick Response Central Control. Reports can be requested from the system to check if the Estate Supervisors are using the system as intended.

4.5.3 As the Estate Supervisors probably view the requirement to register their location and movements on a regular as an irritation or inconvenience it was reported that only one of them uses Tunstall.

#### ***Risks***

***Not complying with the Tunstall system endangers the personal health and safety of all the Estate Supervisors.***

***The Council could be held to be at fault for not enforcing use of the system.***

#### ***Recommendation***

***The Estate Supervisors should be reminded of the importance of using the Tunstall lone worker system and compliance should be monitored.***

## **5 CONCLUSION**

5.1 The audit concluded that there are sound systems and procedures in place to manage the Estate Management function.

5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

**Richard Barr**  
**Audit & Risk Manager**



# INTERNAL AUDIT REPORT

**TO:** Head of Housing and Property Services      **SUBJECT:** Highways Functions

**C.C.** Chief Executive      **REF:** JK/HF/JB  
Deputy Chief Executive (BH)  
Head of Finance  
Asset Manager  
Area Engineer

**FROM:** Audit and Risk Manager      **DATE:** 30 September 2015

## 1 Introduction

- 1.1 As part of the 2015/16 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the WDC highways functions i.e. the work of the Engineering Team in Housing and Property Services (H&PS).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

## 2 Scope and objectives of the audit

- 2.1 The audit was undertaken in order to establish and test the controls in place over the management of the service.
- 2.2 The audit programme identified the controls expected to be in place and the possible risks arising in the absence of those controls.
- 2.3 Specifically the control objectives examined were as follows:
  - (a) Appropriate service area and team operational plans are in place.
  - (b) All procurement activity is in accordance with the Code of Procurement Practice.
  - (c) A programme of inspections is in place, undertaken and evidenced.
  - (d) Bus shelters, street seats and signposts are appropriately maintained.
  - (e) Budgetary control procedures are in place and adhered to.
  - (f) Risks associated with the service are identified and managed.

## 3 Background

- 3.1 The Engineering Team has endured something of a nomadic existence in recent years as a result of restructures and changes in responsibilities. It has been positioned in Community Protection, Neighbourhood Services and currently its home is H&PS which seems like a more natural location as much of the team's work relates to corporate property repair and maintenance.

3.2 At the time of the last audit the team was responsible for rural footway lighting which has since transferred to Energy Management and for street naming and numbering which has transferred to the GIS Team within ICT Services.

3.3 The work of the team now mainly comprises:

Regular inspection and maintenance of WDC roadways and footways, and Housing and Property land.

Regular inspection and maintenance of multi-storey and surface car parks.

Ad hoc responses to complaints and requests for repairs.

Maintenance of bus shelters, street seats, street nameplates, finger posts and signs.

Managing the highways aspect of the planned preventive maintenance programme for corporate land and property.

## **4 Findings**

4.1 In overall terms the audit concluded that the WDC highways function is well managed. The work of the team is well planned and organised, the majority of records and evidence of transactions are available electronically and there are sound budgetary control procedures.

4.2 In terms of the control objectives listed at 2.3 the findings were as follows.

### **4.3 Appropriate plans in place**

4.3.1 The main driver for the work of the team is the Engineering Team Operational Plan (TOP) 2015/2016. This sets out in some detail what the team will be doing this year, who is responsible and where possible the start and finish dates.

4.3.2 Included in the TOP, but virtually a plan in its own right, are a number of schemes for other service areas, mainly Culture, that form part of a five year Planned Preventive Maintenance (PPM) programme approved by Executive in March 2014.

4.3.3 The original value of the programme for 2015/2016 was £402,000 but slippage from 2014/2015 of £219,500 gives a revised programme for this year of £621,500.

4.3.4 There are some resourcing issues within H&PS that have resulted in a backlog of work and a request has been made for some temporary additional staffing.

### **4.4 Procurement complies with the Code of Procurement Practice**

4.4.1 The team manages a relatively small amount of work in its own right i.e. street furniture repair and maintenance but a considerable amount for other service areas.

- 4.4.2 In all cases work is ordered and invoiced using the financial management system TOTAL.
- 4.4.3 Works to street furniture and relatively small kerbing, patching and drainage works are carried out under a framework contract which covers three suppliers.
- 4.4.4 Whenever work is required a Bill of Quantities (BOQ) is drawn up and the rates submitted by the three contractors are applied thereby automatically identifying the successful bidder.
- 4.4.5 For higher value works e.g. works from the PPM programme, a BOQ is drawn up and sent to the same three contractors for them to complete and submit a bid.

#### 4.5 **A programme of inspections is in place**

- 4.5.1 A standing and regular feature of the team's work is the inspection of WDC roadways and footways surface and multi-storey car parks and Housing and Property land e.g. all of the roads, paths and car parks in Newbold Comyn Park.
- 4.5.2 The inspections are carried out to fulfil a reasonable landlord or owner's duty to ensure that land and property is safe and in good repair and does not pose any risks to users. Inspections also serve to identify any works that are required immediately or that can be programmed for the future.
- 4.5.3 The inspections process is often referred to as part of defending an insurance claim. Any claim is likely to be dismissed or reduced provided the council can demonstrate that it has acted reasonably as regards its inspection frequency and is able to provide evidence that the inspections have taken place.
- 4.5.4 The plans for inspections are included in the Engineering TOP. Evidence that inspections have taken place is included in the team's electronic filing. The evidence is detailed and normally includes all of the expected information such as date, time, officer etc. and also an inspection sheet listing what was found, maps of the site and quite often numerous photographs.

#### 4.6 **Bus shelters and street furniture are maintained**

- 4.6.1 The council is responsible for ensuring that most streets have a nameplate to identify them and for maintaining certain street signs. It also has assumed responsibility over the years for a farrago of bus shelters and street seats where ownership or responsibility is unclear or denied.
- 4.6.2 There is a total budget of £20,800 for the repair, maintenance and improvements of the above and so the approach is a combination of only carrying out essential works and leaving any planned work until the end of the year.
- 4.6.3 Detailed inventories of all of the items that the Council are responsible for are maintained by the team and a certain amount of detail is published on the WDC website.



## 4.7 **Budgetary control**

- 4.7.1 The budget for WDC Highways (as it is called in the published Budget Book) for 2015/16 showed estimated expenditure £266,600. However this included over £55K for routine maintenance of rural footway lighting together with the salary costs of the post dealing with lighting.
- 4.7.2 Within the last few days of this audit this was rectified with the footway lighting maintenance and energy costs being transferred to their own cost centre and the cost of the post being transferred to Energy Management.
- 4.7.3 At the same time the cost of the engineers' posts has been transferred to a new cost centre called Building Surveying. This only leaves a total of £81,300 in the Highways budget with most of that being support service costs. All that remains that is controllable are the street furniture budgets with a small amount for special repairs – a total of £23,200.
- 4.7.4 This sum is very well controlled using spreadsheets for the various categories and entering order and invoice details against each code for all transactions.
- 4.7.5 Minor repair works undertaken on behalf of other service areas will be the responsibility of other budget holders.
- 4.7.6 The larger schemes that are let and managed as part of the PPM programme are monitored by the team and also as part of the Corporate Property Repair and Maintenance budget monitoring.

## 4.8 **Risk management**

- 4.8.1 As most of the work undertaken by the team is corporate property related any risks arising from their work will be covered by the broad safety risks as a result of a poor state of repair of housing and corporate assets identified in the H&PS risk register.
- 4.8.2 The team work both in the office and on site, sometimes alone. They will therefore face all the usual generic risks of personal safety, failure of systems, lack of resources etc. that are faced by most of H&PS and included in the register.

## 5 **Conclusion**

- 5.1 In overall terms the audit concluded that the systems and procedures in place to manage the WDC Highways Functions are sound.
- 5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

**Richard Barr**  
**Audit and Risk Manager**

# INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager                      **SUBJECT:** Housing Investment & Maintenance Programmes

**TO:** Head of Housing & Property Services                      **DATE:** 28 September 2015

**C.C.** Chief Executive  
Head of Finance  
Asset Manager

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## **1 Introduction**

- 1.1 In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in December 2009.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## **2 Background**

- 2.1 Attempts have been made to undertake audits since the last audit in 2009, but these have been postponed due to reorganisations within the department and an investigation into the letting of contracts.
- 2.2 Prior to 2009, the investment and maintenance programmes were subject to separate audits. However, the management of the contracts in relation to both programmes was found to be very similar, so the audits were combined.
- 2.3 The investment programmes are capital works designed to improve the properties. The current HIP budget, relating to the improvement and renewal works in the current financial year, is for just over £5m.
- 2.4 The maintenance programmes, as the name suggests, are in place to maintain the properties to the required standards. The revenue budgets for these works also include the responsive works that are required.

## **3 Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.

- 3.2 In terms of scope, the audit covered the following areas:
- Prioritisation and planning
  - Performance monitoring
  - Budget setting and management
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- Resources are used effectively to ensure the housing stock is of a required standard
  - Works to be performed on housing stock are appropriately approved
  - Work is performed to the required standard
  - Management are kept informed of overall progress against investment schemes and work programmes
  - Sufficient funds are approved to allow for the programmes of investment schemes and maintenance works
  - Management are aware of potential budget variances.
- 3.4 During the scoping meeting, it was highlighted that a number of programmes had not yet started or works were to be of a responsive nature. With that in mind, five specific contracts / programmes were chosen for review:
- Kitchen and bathrooms (held by Lovell Partnerships Ltd)
  - Window and door replacement (also with Lovell)
  - Painting and decorating (Ian Williams Ltd)
  - Gas maintenance (D&K Heating Services Ltd)
  - Electrical maintenance (EM&I Ltd)
- 3.5 As the investigation referred to above had covered the majority of the relevant contracts that were, and still are, in place no testing was undertaken on the procurement aspects of these contracts.
- 3.6 Also, a separate audit of Housing Stock Asset Management is included within the current plan, so no strategic elements relating to the management of the stock was covered as part of this audit.

## **4 Findings**

### **4.1 Prioritisation & Planning**

- 4.1.1 The programmes of works should be driven by the stock condition survey. However, the last stock condition survey was undertaken in 2010.
- 4.1.2 The Asset Manager (AM) advised that this is known to be an issue and the team (following a re-design) has been developing a plan to improve the council's asset management data. This includes the development of surveying software and the design and procurement of a survey to collect stock condition data for all of the dwellings and communal areas. Once the survey is complete (target of August 2016), the data will be used to determine future Housing Investment Programmes.

- 4.1.3 The AM also provided an options appraisal document that has been put together to look at the different delivery methods with regards to how the stock condition surveys will be undertaken and advised that a report will be sent to Executive in September to request the resources to deliver the stock condition survey.
- 4.1.4 The AM advised that the results of the last stock condition survey are still being used when the programmes are being set. This information is being combined with other information, such as historical investment data held on the Active H system and information obtained by Surveyors, Clerks of Works, Property Maintenance Officers and the contractors during the course of their day-to-day work.
- 4.1.5 The Building Surveyor (BS) responsible for managing the contracts held by Lovell confirmed that this was the case for his contracts. He advised that works on the kitchen and bathroom (K&B) programme are based on a master spreadsheet that had been put together by a previous staff member which was largely based on the stock condition data from the system.
- 4.1.6 Staff from the contractor then undertake surveys of the properties that are to be included on the programme to ascertain whether the condition is as stated (i.e. that the works need undertaking). Property Maintenance Officers would also flag up if they found issues during their visits which would warrant the inclusion of the property on the programme.
- 4.1.7 The windows and doors (W&D) programme for the year is to be set around those properties that still have single glazing and then the oldest double glazed properties.
- 4.1.8 The BSs responsible for the painting and decorating (P&D) contract, which covers external painting of most properties and the internal painting of communal areas, is currently based on a five-year rolling cycle and, as this is the last year of the current cycle, the programme is set to cover all remaining properties.
- 4.1.9 The staff managing the electrical and gas maintenance contracts advised that there are programmes in place for the cyclical, statutory, safety checks, with the contracts largely covering responsive maintenance works. Historically systems have been replaced on a responsive basis, however the AM and Repairs Manager (RM) confirmed they are going to investigate the benefits of planned replacement programmes and will implement them where they have value.
- 4.1.10 As the programmes are partly generated from data held on Active H, testing was to be undertaken to ensure that the works undertaken were accurately reflected on the system, to ensure that the properties did not get included on future programmes until a relevant period had passed.
- 4.1.11 During discussions with the BSs responsible for the different investment programmes, it was established the jobs are updated on Active H once the final accounts had been signed off for the year. However, the open book processes were still being concluded so the system had not yet been updated with data from the previous financial year.

- 4.1.12 For the gas and electrical maintenance works, the team advised that the system is updated once individual jobs are complete and have been costed. However, it was not possible to undertake any testing to confirm this, as the only way of identifying the works was from lists that were actually generated by the system.
- 4.1.13 The AM highlighted that, when the system is updated with the completed works, the asset (property) attributes would reflect the work performed. ICT staff can then run processes to reflect these works in the programmes and, although it is more of a manual process at the moment, the team are reviewing ways to use ICT to automate the process with the ICT team as part of ongoing systems and process reviews.
- 4.1.14 The actual programmes of works no longer receive approval from Members. Instead, Members approve the total budget available for the programme. A specific breakdown is approved for the different streams under the Housing Investment Programmes for the capital works, with the maintenance programmes being covered by the overall revenue funding budgets.

## **4.2 Performance Monitoring**

- 4.2.1 Upon review of the files and documentation maintained by the BSs, it was confirmed that progress reviews are held with each contractor, with the meetings being appropriately minuted.
- 4.2.2 The meetings with Lovell cover all of their contracts. The relevant BS confirmed that these are generally held on a monthly basis, although this will depend on whether any work is ongoing on the contract. Upon review, it was confirmed that meetings had been held appropriately to cover the periods when programmed works were being undertaken.
- 4.2.3 Meetings with Ian Williams for the P&D contract are held on a weekly basis. Copies of the meeting minutes were provided which confirmed that meetings have been held each week during the current financial year.
- 4.2.4 Meetings are held with both D&K and EM&I and the intention is that these are held on a monthly basis. Copies of minutes were provided although a number of gaps were noted.
- 4.2.5 The BS highlighted that the meetings are held as regularly as possible although some may have been missed due to other commitments. She also advised that meetings for the electric contract only started when she took over the management of it, because of several staffing issues prior to the service re-design.
- 4.2.6 Day-to-day monitoring of some of the contracts is also undertaken by the Clerks of Works. For the K&B contract weekly progress reports are completed and they will also be produced when the W&D programme starts. These were found to be in place for the completed programme for 2014/15 and the year to date for 2015/16.

- 4.2.7 For the P&D contract, each job will be checked by a Clerk, with handover certificates being signed off by both a representative from the contractor and the Clerk.
- 4.2.8 The RM advised that there is no 'auditing' of the works that are undertaken as part of the gas and electric maintenance contracts, although this is being considered. However, he also highlighted that the specialist nature of the works require formal certificates to be issued by the contractors on completion of works.
- 4.2.9 The BS responsible for the K&B contract advised that there would be a number of changes to the programme during the year for various reasons. These would be agreed with the contractor as required, with some of the programme being released in different tranches.
- 4.2.10 As previously highlighted, the overall programme is driven by a database put together by a previous staff member, setting out the stock condition survey as per the system. The batches of properties released allow for surveys to be undertaken, but works may not actually be needed, so the actual programme of works to be undertaken constantly evolves throughout the year based on the variation between the statistical stock condition data and the observations at the time of inspection.
- 4.2.11 Various emails showing the release of different batches for the current year were provided, along with correspondence showing those that were being removed from the programme.
- 4.2.12 Whilst not variations to the actual programme of works, variation instructions will also be completed where works required are 'non-standard' and do not fit in with the main contract. Sample copies were viewed on the contract file.
- 4.2.13 For the P&D contract, the BS highlighted that variations would similarly occur for various reasons. The minutes reviewed highlighted the addition of a number of properties to the original programme and the BS suggested that these would have been discussed directly with the contractor.
- 4.2.14 Whilst correspondence was generally found to be in place for these variations, it is considered that formal documentation should be established so that there is a clear trail showing all variations from the original programmes.

## **Risk**

**Works to be undertaken may not be appropriately communicated.**

## **Recommendation**

**Changes to programmes of works should be formally documented.**

- 4.2.15 For the current financial year, payments made in relation to the K&B contract, including preliminaries for the W&D contract, have been made based on the value of the work undertaken. The first application for payment was based on an even split of the budget. However, the BS

advised that the payment was based on actual costs as detailed on the spreadsheets submitted and subsequent payments have also been made on this basis.

- 4.2.16 The BS advised that he would check the actual costs submitted against the handover packs for each property included on the claim, to ensure that the jobs had been appropriately signed off. However, testing to confirm the receipt and checking of these documents could not be undertaken as, at the time of audit testing, the folder containing the handover packs could not be located.
- 4.2.17 Whilst this is an issue that needs to be resolved, there was evidence of controls operating in relation to the payments made, with the payment certificates and invoices being appropriately signed off as certified, checked and authorised by authorised signatories.
- 4.2.18 Whilst the 'routine' payments had been made, the BS highlighted that the open book processes have resulted in some issues with the final accounts payments, and suggested that, at the time of the audit, the final accounts had not been agreed for 2014/15 for either of the contracts held by Lovell. This was attributed to the lack of expertise in the operation of the open book contracts and is a known issue within the department.
- 4.2.19 The department has recently requested an exemption from the Code of Procurement Practice in relation to the retention of the services of Impart Links who provide cost management services for these open book contracts.
- 4.2.20 The extension to the contract will allow for the 2015-16 final accounts to be signed off by Impart Links, although the contracts run until March 2018.
- 4.2.21 The report to Executive, where the exemption was requested, highlights that the contract pricing models are to be reviewed, so this may be the last period that these services are required. However, should the open book model be retained, there will be a need to ensure that staff are appropriately trained to ensure that the costs of these contracts can be managed appropriately.
- 4.2.22 As a review of the pricing models is already scheduled, no recommendation is included in this report. However, the need for training should be borne in mind in the event that the open book model is continued with. The AM advised that the service area was aware of the need to continue to train in-house staff however he also felt it was important to note that specialist external support, like that provided by Impart Links, would remain necessary as long as the contracts remain on the current open book model.
- 4.2.23 For the P&D contract, the payments are based on the percentage of work completed at each property. A control book spreadsheet is completed by the contractor and the valuation is then agreed.
- 4.2.24 The payments for the year to date were reviewed and it was confirmed that the valuations had been appropriately signed off. Sample testing was also undertaken to ascertain whether handover certificates for this contract had

been submitted for the jobs shown as being 100% complete as per the control book spreadsheet.

- 4.2.25 All of the properties from the extract were found on appropriately signed certificates. However, a number of anomalies were noted:
- Six properties were recorded as being complete on more than one certificate.
  - Sixteen properties detailed on the certificates were not on the extract. It was subsequently established that these properties were shown as 98 or 99% complete on the spreadsheet. However, other properties that were at the same stage had not been included on certificates.
  - One property (44 Mason Avenue) was not included on the spreadsheet at all but was included on a certificate.
- 4.2.26 The BS advised that the first two issues had been resolved, as the contractor had employed a new foreman on the contract who had been rechecking the properties and was now ensuring that the works were fully completed before they appeared on the handover certificates.
- 4.2.27 The omission of 44 Mason Avenue could not, however, be explained as it was confirmed to be a council property and the work had been signed off. As it wasn't on the spreadsheet, no payment has been made for this work.

## **Risk**

**Incorrect payments may be made.**

## **Recommendation**

**The next payment in respect of the painting and decorating contract should be amended to include payment for the works undertaken at 44 Mason Avenue.**

- 4.2.28 The BS for the P&D contract advised that similar issues had been encountered with regards to the final accounts for this contract.
- 4.2.29 Payments in relation to the gas maintenance contract are based on cost-tracker reports generated from the Active H system. Once generated, query reports are sent to the contractor to ask them to explain the costs for any outliers. Payments will then be agreed, with the valuation certificates being signed off.
- 4.2.30 The two payments made in the current financial year, at the time of audit testing, generally agreed to the cost-tracker figure when added to the preliminaries and the allowed overheads and profits, although there was a minor discrepancy on one payment. The valuations for these payments were found to have been appropriately signed off by an authorised signatory.
- 4.2.31 The electrical maintenance contract operates in similar fashion with reports being generated from Active H. However, as it operates on a schedule of rates as opposed to an open-book contract, no query reports are generated.
- 4.2.32 The payments made agreed to the reports generated from Active H and the valuation certificates had been authorised as appropriate by an authorised signatory. In one instance, the authorised copy of the valuation certificate



had not been scanned. However, the invoice held had been appropriately authorised.

- 4.2.33 The Building, Surveying & Construction Manager (BSCM) advised that he has one-to-one meetings with his BSs every two weeks at which time the progress of their contracts will be discussed. Handwritten notes are made of these meetings. He highlighted that if particular issues are noted he may attend the next meeting with the contactor.
- 4.2.34 The AM advised that he will also receive updates from the relevant managers as part of their one-to-ones. General discussions will be held as to the state of the contracts, with any issues that they feel need raising being highlighted. He advised that handwritten notes are made and formal minutes will be introduced once the staffing-restructure had settled and other key corporate schemes had been concluded.
- 4.2.35 The AM suggested that, at present, he generally leaves the prioritisation of jobs to the individual contract administrators, although he may intervene if a specific issue arises. However, in the future, once the stock condition survey has been performed, there will be an upfront exercise to prioritise all of the jobs, with the team using the improved stock condition data to model and agree a five year programme of works.

### **4.3 Budget Setting & Management**

- 4.3.1 As highlighted above, the budget for the year is approved by Members based on the planned works programmes. An extract was taken from TOTAL of the HIP capital budgets and this was confirmed to the budgets that had been agreed with Members, with the latest budgets reflecting the slippage from the previous year, as detailed in the final accounts.
- 4.3.2 As also highlighted, the maintenance budgets are approved as part of the main budget setting and are not individually identified in the report to Members. As these include a large element of responsive work, these do not reflect programmes as such.
- 4.3.3 Spreadsheets are used within the department for budget monitoring, with target and actual expenditure recorded along with details of the individual payment certificates and remaining budgets.
- 4.3.4 A new spreadsheet has been developed by the BSCM for the contracts managed by the Surveyors that report to him and they have now been adopted by the administrators of the gas and electrical maintenance contracts, although they have some work to do on populating some of the figures. The AM advised that these are discussed during one-to-ones and also at the newly introduced monthly team budget meetings.
- 4.3.5 It was noted that the P&D budget was shown as already being overspent on TOTAL. However, this was as a result of the way that the order had been structured on the system and the profile of the payments made.

- 4.3.6 The relevant Principal Accountant advised that, as a result of the monitoring performed and the reviews of anticipated programmes by the BSCM, some variances to the HIP budgets have already been reported to Members.
- 4.3.7 However, he also highlighted that monthly budget meetings were due to be held with various members of the Housing & Property Services department including both the AM and the RM and none of these had taken place at the time of the audit. The AM advised this was due to diary conflicts between Housing & Property Services and Finance but the original appointments would be re-scheduled so the meetings could take place.
- 4.3.8 He also highlighted that, whilst the BSCM had been able to identify some variances, requests for details of potential variances relating to other areas of the programme had not been responded to.
- 4.3.9 It was flagged up that issues had been encountered during the previous financial year with some significant overspends being identified within the Housing & Property Services budgets. However, these did not directly relate to the contracts that have been reviewed, and it is considered that the new monitoring spreadsheets will help to ensure that the relevant budgets are controlled. However, the budget monitoring meetings will aid with this process.

## **Risk**

**Budget variances may not be appropriately identified.**

## **Recommendation**

**The proposed monthly budget monitoring meetings should be held going forward and requests from Finance for details of potential variances are responded to.**

## **5 Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Housing Investment and Maintenance Programmes are appropriate and are working effectively.
- 5.2 Minor issues were identified during the course of the audit relating to variations to programmes of works, a payment not being made in relation to works at one property and budget monitoring.
- 5.3 Whilst the number of recommendations raised is low, management within the department had also flagged up a number of issues during the course of the audit as detailed within the report, such as the lack of an up-to-date stock condition survey.
- 5.4 As management are aware of these issues and have plans to address them, this has had a bearing on the level of assurance that can be given.

## **6 Management Action**

- 6.1 The recommendations arising above are reproduced in the Action Plan for management attention.

Richard Barr  
Audit and Risk Manager

# INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Finance  
**C.C.** Chief Executive  
Audit & Risk Manager  
Insurance and Risk Officer

**SUBJECT:** Insurances  
**DATE:** 1 September 2015

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2015/16 an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in July 2012.
- 1.2 Wherever possible findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 Background

- 2.1 The council's insurance service is managed by the Insurance and Risk Officer as a member of the Audit and Risk team.
- 2.2 Insurance premium costs for the year ending 31 October 2015 for policies held with Zurich Municipal are confirmed and are £435,000. Premium costs are unlike any other item of Council expenditure in that they are governed by the state of the insurance market which is in turn governed by the effects of claims, global events and natural phenomena.

## 3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope the audit covered the following areas:
- Regulatory compliance
  - Risk management
  - Review and renewal
  - Claims processing
  - Internal financing
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- Insurance in place is in line with any regulatory / legislative levels of cover

- All relevant business and operational risks are accurately assessed as the basis for providing adequate and appropriate insurance cover
- Cover levels remain appropriate to the needs of the council
- Insurance cover held provides value for money
- Claims are valid, authorised, agreed and controlled
- Costs are accurately and appropriately recharged to service areas
- Reserves and provisions are maintained at appropriate levels.

3.4 The tendering processes for insurance services in relation to insurance cover and the insurance broker were also covered as part of the audit.

## **4 Findings**

### **4.1 Regulatory Compliance**

4.1.1 The Insurance and Risk Officer (IARO) advised that the only insurance that a council is, in effect, required to have under legislation is Fidelity Guarantee insurance. This is set out under the provisions of Section 114 of the Local Government Act 1972 which highlights that 'a council shall take a security for employees who are dealing with money and may take a security for other employees for the faithful execution of the office and for the due accounting for all money or property which may be entrusted to that employee(s)'.

4.1.2 The existing Fidelity Guarantee insurance maximum limit is £5m, and this was not updated when the insurance renewal was undertaken in November 2014.

4.1.3 However, Internal Audit consider that this value should be reviewed, due to the value of certain transactions that take place, specifically in relation to the council's planned programmes of works relating to its housing stock and the investments placed with counterparties as part of the treasury management portfolio.

### **Risk**

**The existing Fidelity Guarantee maximum limit may not be appropriate.**

### **Recommendation**

**The Insurance & Risk Officer should obtain details of significant future high value investment programmes in relation to housing stock and future treasury investment plans to assess Fidelity Guarantee maximum limits, updating insurance cover if appropriate.**

4.1.4 District councils are not required, under legislation, to have any employer's or public liability insurance. However, the council does have these insurance policies in place as well as various other policies.

4.1.5 The IARO advised that she regularly attends regional meetings of other local authority insurance officers as well as meetings of ALARM (the public sector risk management association). Informal updates are also received from insurance brokers and insurers.

4.1.6 The contents of the insurance procedures manual were reviewed and it was confirmed that the manual is regularly updated. However, it was noted that updates were required in relation to three sections: hirer's liability; insurance excess accruals; and provisions at year end.

## **Risk**

**The process, documentation and controls for the insurance procedures manual may not be fully complete.**

### **Recommendation**

**The Insurance & Risk Officer should update the insurance procedures manual for hirer's liability, insurance excess and provisions.**

## **4.2 Risk Management**

- 4.2.1 The IARO is appropriately involved in the risk management processes as she is a member of the risk management group and takes the minutes of the meetings. Upon review of the minutes, it was highlighted that the frequency of the meetings has recently changed. They used to be held each quarter, but are now to be held annually on a 'needs basis'. This was considered by Internal Audit to be acceptable.
- 4.2.2 The IARO explained that the MOSS system for service risk registers is no longer actively used. Risk registers are now set out in Word documents, allowing for relevant departmental reviews and discussions by the Finance & Audit Scrutiny Committee.
- 4.2.3 The risks included on the Finance risk register are categorised into those which can be insurable, such as fraud by having a Fidelity Guarantee insurance policy in place, or risks which cannot be insured against such as loss of information technology.
- 4.2.4 Audit observation confirms that the MOSS records are still available and highlights that almost two thirds of the risks have "No Insurance" recorded against them. The IARO advised that this is largely down to the fact that not all risks are insurable. The MOSS records still record the relevant insurance policy against the insurable risk.

## **4.3 Review & Renewal**

- 4.3.1 The previous audit report recommended that a formal process should be implemented to advise the IARO of relevant changes to services. This had been appropriately addressed by including an article in the Core Brief publication which is issued to all staff.
- 4.3.2 The article, which was seen by Internal Audit, advised staff to notify the IARO in advance of service issues that may have insurance policy implications. Examples were given in the article, such as proposed changes to working practices before they are implemented. In addition, the article raised staff awareness of the need to communicate service issues that may have insurance implications such as insurance claims.
- 4.3.3 Audit testing was successfully completed, confirming that known changes in services had been correctly notified to the insurer Zurich Municipal (ZM) as part of the annual renewal process.
- 4.3.4 Testing also confirmed that ZM had been appropriately made aware of some new properties that the council are taking ownership of and that they had been kept informed of relevant project developments so that they could

update their policy records and advise on any impacts that this would have on policy premiums.

- 4.3.5 Audit testing was undertaken to ensure that the processes used to appoint ZM for the provision of insurance cover and Gallagher Heath as the council's insurance broker had complied with the council's Code of Procurement Practice. This test proved satisfactory.
- 4.3.6 The contract period for the insurance provider finishes on 31 October 2015, and the IARO advised that an evaluation will take place prior to this date to decide whether the option to extend the contract by two years is taken up.
- 4.3.7 Renewal of the property contents insurance arrangements, which is made available to housing tenants and leasehold occupiers, commenced on 1 June 2015. Upon review, it was confirmed that the process to appoint Thistle Insurance Services complied with the Code of Procurement Practice.

#### **4.4 Claims Processing**

- 4.4.1 The JCAD LACHS claims management system is used to record the details of all insurance claims.
- 4.4.2 Initial notification of an insurance claim will come in various forms from service departments, either by telephone, email or letter and a claim record will be created on the JCAD LACHS system.
- 4.4.3 The claim will be allocated to an insurance cover category on the system and all relevant information will be recorded, including the claimant details and / or solicitors as appropriate and will be allocated against the relevant policy.
- 4.4.4 All correspondence relating to the claim will be recorded and can be imported into the system, with some correspondence being generated directly from the system.
- 4.4.5 The information will be passed to the insurers, with the insurer's reference number for the claim being entered onto the system by the IARO. Emails or letters are sent to claimants advising them of the relevant insurer details.
- 4.4.6 A random sample of insurance claims made since the insurance renewal on 1 November 2014 was tested with the objective of verifying that they were being progressed by ZM with the aim of the claim being settled.
- 4.4.7 Testing confirmed that all of the claims had been registered with ZM and progress in relation to the settlement of the claims was being monitored. In addition, the IARO has been keeping service departments up to date with claim developments as instructed by ZM.
- 4.4.8 The JCAD LACHS system has contained the council's insurance claim records since 2008/2009. This will be a key source of insurance claims history to share with potential bidders when the next insurance procurement process is initiated, with the objective of the council managing the annual financial cost of insurance cover.

## **4.5 Internal Financing**

- 4.5.1 Testing was undertaken to ensure that the insurance policy premiums, for the year to 31 October 2015, had been recharged to the relevant service departments. The testing confirmed that all of the insurance premium costs had been appropriately recharged to the relevant revenue expenditure cost centres on the TOTAL general ledger.
- 4.5.2 The basis for the apportionment of the insurance premiums to service departments was reviewed in comparison with the CIPFA 2015/16 Service Reporting guidance principles of apportionment of service costs. Internal Audit testing confirmed that the council's apportionment approach for insurance costs meets the CIPFA guidance.
- 4.5.3 Control reports are run from the JCAS LACHS system that provide the base data in relation to the excess provisions that are required for each financial year.
- 4.5.4 The IARO's monitoring spreadsheet for the insurance excess provisions was reviewed which confirmed that provision has been appropriately made to cover the maximum insurance 'stop loss' for the relevant period.
- 4.5.5 The Finance risk register recognises that the Insurance Reserve, which is largely in place to cover any Municipal Mutual Insurance (MMI) claw back, is regularly reviewed for adequacy to settle future levies.
- 4.5.6 The insurance broker recommends the levels of MMI reserves that may be required for future settlements. The financial reserve as detailed on TOTAL, as at 31 March 2015, is considered by Internal Audit to be adequate to settle any demand levies imposed. The IARO confirmed that there have been no demand levy requests in the current financial year.

## **5 Summary & Conclusion**

- 5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the management of Insurances are appropriate and are working effectively.
- 5.2 Minor issues were, however, identified relating to the Fidelity Guarantee maximum limits and the updating of certain sections of the Insurance procedures manual.

## **6 Management Action**

- 6.1 The recommendations arising above are reproduced in the Action Plan for management attention.



**FROM:** Audit and Risk Manager

**TO:** Head of Housing and Property Services

**C.C.:** Chief Executive  
Head of Finance  
Housing Strategy and Development Manager  
Private Sector Housing Manager  
HAT Project Manager  
Senior Housing Standards Officer

**SUBJECT:** Private Sector Housing Grants

**DATE:** 14 August 2015

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## 1 **Introduction**

- 1.1. In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2. Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

## 2 **Scope and Objectives of Audit**

- 2.1. The purpose of the audit examination was to report a level of assurance on the adequacy of systems in place for administering grant aid to private sector households economically, efficiently and effectively in accordance with relevant legislation and Council policies as applicable.
- 2.2. The examination comprised an evidential risk-based evaluation of the structures and processes in place for administering private sector housing grants and loans. This included an overview of project and partnership governance in respect of the Housing Assessment Team (HAT) pilot.
- 2.3. The review considered evidential material covering:
- § policies and procedures
  - § roles and responsibilities
  - § monitoring and review
  - § information assurance.
- 2.4. The findings are based on consultations with staff involved in the processes examined and reference to relevant documentation and records. This included testing for compliance with established procedures on a sample basis and other control testing using data extracted from the grants computer system and the corporate financial management system.

- 2.5 The principal contacts for the audit were Mark Lingard (Private Sector Housing Manager), Debbie Cole (HAT Project Manager), and Ian Jackson (Senior Housing Standards Officer).

### 3 **Recommendations from Previous Report**

- 3.1 The current position in respect of the recommendations from the audit reported in January 2013 is shown below:

<b>Recommendation</b>	<b>Management Response</b>	<b>Current Status</b>
A formal method should be established for the charging of fees for each grant, with documentation being subsequently included in grant files to show how the figure for each grant has been calculated. <i>(Low risk)</i>	A formal review of the charging policy on all grant and loan programmes is planned for January to May 2013.	A simplified fee policy has been adopted based on 15 per cent of the cost of works in each case. The fee is treated as income to the Private Sector Housing Team after external professional fees payable have been deducted.
Efforts should be made to ensure that all relevant documentation is placed on file. <i>(Low risk)</i>	The importance of file documentation and management will be emphasised in writing to all staff and monitored by random quality assurance checks.	A more comprehensive checklist has been devised underpinning procedures for the HAT in processing Disabled Facilities Grants. Brief testing has shown no issue with other relevant grants.

### 4 **Findings**

#### 4.1 Background

- 4.1.1 At the time of its enactment, the Housing Grants, Construction and Regeneration Act 1996 set out a range of grants that qualifying households are entitled to receive towards home repair and adaptations work. After subsequent amendments, only one of those grants now remains mandatory to local authorities under the Act – disabled facilities grant (DFG).
- 4.1.2 Under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, local authorities have discretionary powers to provide grants and other types of assistance towards improving living conditions for owner occupiers and private sector tenants (including the supplementing of mandatory DFG with discretionary grant in certain cases). These powers are conditional on each respective the local authority adopting and publicising a clear policy on such assistance.
- 4.1.3 In monetary terms based on 2014/15 outturn, DFG (mandatory and discretionary together) accounts for around 92 per cent of grant paid among the range of relevant grants offered by Warwick District Council and has therefore been the primary focus for this examination.

- 4.1.4 DFG is also distinguished from the other grant types by being administered under a multi-agency organisational structure implemented currently as a pilot project, which in turn is a product of a wider programme to develop a Home Improvement Agency for Warwickshire.
- 4.1.5 Basically, a Home Improvement Agency (HIA) is defined as a not-for-profit organisation that assists people in their own homes that are elderly, disabled or on a low income in repairing, maintaining or adapting their homes enabling them to continue to live as independently as possible. The form of these HIAs varies across the country, as does their geographical composition. In Warwickshire, a multi-agency collaborative approach using existing service providers has been adopted to cover the County area. An Executive resolution in 2009 approved in principle the engagement of Warwick District Council in the development of the Countywide HIA.
- 4.1.6 The latest manifestation of this process is the South Warwickshire Housing Assessment Team (the 'HAT' previously referred to) which began its operations in November 2013. The Team is based with Warwick District's Private Sector Housing function at Riverside House, but is made up of officers of employed variously by Warwickshire County Council and Stratford-upon-Avon District Council with Warwick District staff having primarily managerial and technical input.
- 4.1.7 At the time of this report the HAT still officially operates on a pilot basis with a remit limited for the time being to providing a joined up adaptation support service to disabled residents in the two District areas irrespective of their tenure. Administration of DFG forms part of that remit.
- 4.1.8 The HAT structure is a transitional one with its future stability dependant on decisions at Council Member and 'partnership' oversight levels yet to be made. The evaluation for assurance purposes is therefore based on a snapshot of the roles and responsibilities in evidence at the time of the examination.
- 4.2 Project Governance
- 4.2.1 The HAT pilot constitutes the third defined stage in a wider programme for developing the countywide HIA. The first stage was the continuation and further development of the North Warwickshire HAT already established for the Nuneaton and Bedworth Borough and North Warwickshire Borough areas. The second stage was to absorb Rugby Borough Council into the North team.
- 4.2.2 The countywide governance arrangements were codified in a Business Case document released in October 2012. A key element of this is ongoing oversight by a Project Board made up of the HIA project leadership and senior management representatives of housing and occupational therapy services at all Warwickshire authorities.
- 4.2.3 Project governance provisions specific to the South Warwickshire HAT are contained in a Memorandum of Understanding agreed in December 2013 between Stratford-upon-Avon District Council and Warwick District Council.

- 4.2.4 This establishes a Project Board specifically for the HAT pilot and other provisions including performance measurement and benefits realisation. The HAT Project Manager is a reporting member of the Board.
- 4.2.5 From the internal Council perspective, however, the South HAT project comes across as having developed in the shadows from 2009 until late in 2013. This is illustrated in particular by the following observations:
- § In the remodelling of the corporate Risk Registers in recent years, risk entries relating to housing grants were not carried over from the old Operation Risk Register for Housing and Property Services;
  - § The HAT project has had no mention in Service Delivery Plans for Housing and Property Services to date, despite being of direct relevance to at least one of the service purposes and two of the customer measures contained.
  - § The Executive was not expressly consulted on the decision to adopt the delivery model proposed in the Business Case at the time of its release in October 2012.
- 4.2.6 In particular, the failure to consult the Executive on the wake of the Business Case has to be seen as a lapse of proper governance considering that:
- § the 2009 resolution was an agreement in principle only to allow investigation of options for report back on a final decision;
  - § Rugby and Stratford sought had approval on the Business Case from their Cabinets in January 2013 and February 2013 respectively.
- 4.2.7 It is a matter of record that the former Head of Housing and Property Services had committed to seeking Executive approval for the proposed delivery model in October 2012. However, this had clearly not been taken forward as intended.
- 4.2.8 The project only seemed to emerge from the shadows when it was subsumed into the new Housing Strategy submission officially adopted by Council in December 2013 and featured prominently on the Portfolio Holder's Statement to Council at that same meeting. By this time the pilot implementation of the delivery model had already begun, thus Members were being effectively presented with a 'fait accompli'.
- 4.2.9 As the Housing Strategy adoption effectively settled the question of proper authority for the project to proceed, the above issue is now one of historic importance only. The omissions from the Risk Register and Service Delivery Plans, however, are seen as warranting a revisit by management.
- 4.2.10 In the absence of any evidence emerging that the omissions stemmed from conscious decisions, it is assumed that they are similarly the result of oversight. Management are asked to re-evaluate housing grants generally (and the HAT project specifically) for incorporation at the next Risk Register review and service planning round.

## **Risks**

- § ***Management of risks in respect of housing grant administration is impaired.***
- § ***Transparency and accountability in respect of achievements of the HAT project against its objectives are impaired.***

## **Recommendations**

- (1) Risks in respect of private sector housing grants evaluated and considered for incorporation in the Housing and Property Services Risk Register.**
- (2) The Housing Assessment Team project should be incorporated as a key project in the Service Delivery Plan for Housing and Property Services at the next drafting.**

### 4.3 Policies and Procedures

- 4.3.1 The policy side has been traditionally governed to a large extent by legislation, principally the Housing Grants, Construction and Regeneration Act 1996. With subsequent amendments, the Act lays down conditions and criteria for entitlement to DFG and a ceiling on how much can be awarded while giving local authorities discretionary powers on other types of assistance.
- 4.3.2 At the time of this review, a policy document dating from 2006 remains officially in force pending a review planned under the Housing Strategy 2014/17 Delivery Plan. The 2006 document is not too far removed from policy provisions currently in effect, although a more up to date manifestation of current policy can be easily found on the Council's website.
- 4.3.3 The basic process covering all relevant grants paid directly by the Council is essentially unchanged – assessment of needs, verification of entitlement and commissioning of works.
- 4.3.4 In the finer detail the procedures have diverged between DFG and other grants, influenced to a degree by the lean systems approach for the new delivery model. This includes adoption of methodologies and desktop IT models designed previously by Nuneaton Council for the North HAT (noticeable examples of these are Excel models for client needs assessment by occupational therapists, standard schedules of work for commonly occurring elements such as level access showers and contractor selection for grant-aided works).
- 4.3.5 Procedures for DFG have been documented as part of the HAT pilot and an enhanced procedural checklist is used as standard on all cases. A call-off list has been formulated for selecting contractors from whom to request quotations (at the time of the audit the list was subject to review and re-vetting of contractors undertaken by Stratford District).

- 4.3.6 The processes for all relevant grants continue to be underpinned by the well-proven PARSOL<sup>1</sup> business application system (APP Civica, previously known as Flare). Two key embedded features routinely utilised to support the procedures are:
- § standard pre-populated end-to-end action templates and trails identifying actions taken and the actioning officer in each case;
  - § standard document templates for routine correspondence, notices, statements and certificates.
- 4.3.7 Testing on procedures has concentrated mainly on DFG using a stratified random sample of all cases wholly or substantially processed by the HAT. This was supplemented by a walkthrough of two home repairs assistance grants (this type accounts for the highest expenditure level after DFG).
- 4.3.8 From the evaluation and testing, the grant process overall is seen served by robust procedures that serve their purpose well. The only issues to surface are inconsistencies noticed in the presence of documentation listed in the DFG checklist and the Project Manager and Senior Housing Standards Officer have been notified of these.
- 4.3.9 The only documentation inconsistency seen as having significant control and risk implications relates to completion certificates generated for notifying Land Charges. Around half of the closed cases in the sample subject to potential grant reclaim under legislation were found without certificates on file and further investigation revealed that they had not been registered on the Local Land Charges system.
- 4.3.10 Circumstances triggering the Council's right to reclaim grant occur somewhat rarely and the issue from the test finding is thus deemed as low risk in this context. It does, however, represent a wider issue of cases being closed on the system when there are formalities left to complete, although in mitigation it is recognised that the cases in question initially date from prior to the introduction of a new version of the DFG checklist strengthened to include the completion certificates.
- 4.3.11 It has been advised that the Senior Housing Standards Officer has checked all other cases with reclaim potential since the HAT pilot implementation, revealing a small number of further omissions which have been corrected along those arising from the audit test. It was further advised that these checks would continue for the remaining duration of the pilot project.
- 4.3.12 The importance attached to ensuring that all prescribed formalities are completed before flagging cases in the APP system as closed is seen as warranting a recommendation in this report.

### **Risks**

***(1) The accuracy of reporting on case performance and open case review is impaired.***

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<sup>1</sup> Planning and Regulatory Services On-Line

***(2) Failure to complete prescribed formalities may prejudice the interests of the Council in case of circumstances requiring justification of actions or decisions.***

**Recommendation**

**Staff should be instructed to carefully verify that all requisite formalities on each housing grant case are completed before closing the cases in the system.**

4.4 Roles, Responsibilities and Training

- 4.4.1 In relation to the HAT pilot, the aforementioned Memorandum of Understanding sets out the agreed provisions on the respective roles of and expectations of each of the authorities.
- 4.4.2 The Memorandum does not establish the HAT as a formal entity, but does formalise key elements of the project framework including scope, reporting lines, human resource protocols, division of funding and operational process flows. However, one of the Memorandum's provisions, the production by each 'Partnering Authority' of a Project Protocol (to include among other things an statement of roles and responsibilities of each officer on the Board) appears to have been neglected, at least from the Warwick District side.
- 4.4.3 While this is raised for management attention, an audit recommendation is precluded at this juncture given current uncertainties over the future duration of the HAT project as provided for under the Memorandum.
- 4.4.3 At operational level, the HAT Project Manager, employed by Warwick District Council, has day-to-day managerial responsibility for the Team which is substantially made up of Occupational Therapists (employed by Warwickshire County Council) with support provided by two (FTE) Housing Assessment Officers (employed by Stratford-upon-Avon District Council). The Memorandum recognises the dual lines of responsibility this entails for each officer involved and leaves human resource management matters to the respective employing authorities (including relevant policies including those on information security).
- 4.4.4 From the point of view of officer roles, the following observations are seen as relevant here:
- § The powers of the Head of Housing and Property Services to approve or refuse awards of the relevant grants under the Constitution are delegated by written mandate to the Private Sector Housing Manager, HAT Project Manager and Senior Housing Standards Officer.
  - § In practice, the role of reviewing and signing off DFG case files has been assumed mainly by the HAT Project Manager.
  - § The lead officer end-to-end for each DFG case is invariably the assigned Occupational Therapist.

- § The Senior Housing Standards Officer is the principal provider of technical input to the DFG process and shows as the lead officer for home repairs assistance grants.
- § Tests on home repairs assistance grants showed authorisations for payment signed by the Private Sector Housing Manager or Senior Environmental Health Officer in each case, thus maintaining appropriate separation of duties.
- 4.4.5 The Memorandum referred to a training programme for relevant staff that would be led by Warwickshire County Council but with input from Warwick and Stratford Districts. The HAT Project Manager has provided information which confirms due attention to training needs specific to the HAT. It was also advised that consultations are being made on a co-ordinated approach to training between the two HATs.
- 4.5 Monitoring and Review
- 4.5.1 This area has been examined in overview only. Mechanisms are in place for quarterly performance reporting to the Countywide HIA Board based on outturn data from both HATs' application systems downloaded into an elaborate Excel model (another example of adoption of an adopted methodology originating from Nuneaton and Bedworth Borough Council). In parallel with this, it was advised that a customer survey on all completed grant-aided works is undertaken independently by the Housing Service Improvement Team.
- 4.5.2 Reports from the APP system support individual and Team performance review processes on both completed and outstanding cases. The Service Delivery Plan cites two customer measures relevant to HAT (one for adaptations in Council properties and the other for DFG), although absence of any reference to the HAT Project to date has meant that no comments on outturn for these against measures these have featured in any known recent reports. Even the reference to the HAT pilot in the Portfolio Holder's Statements do not link contextually with any comments on performance against these measures.
- 4.5.3 Implementation of the foregoing recommendation (Paragraph 4.2.10, Recommendation 2) should help to address this.
- 4.5.4 In contrast to the reporting activity to the Project Board, there has been no parallel reporting to the Council's own Members on the performance or realisation of benefits in respect of the HAT pilot up to the time of the audit. This is expected to be addressed in the report planned to go to Executive later this year. Interestingly, the aforementioned Memorandum of Understanding provision of a 'Project Protocol' was also intended to include a protocol on report-back from the Project Board to the 'Partnering Authorities'.



- 4.5.5 Connected with the forthcoming Executive review, it was noted that a national good practice guidance document on adaptations was published in 2013 by the Home Adaptations Consortium. While it is not clear to what extent, the document has directly influenced the detail of the HAT delivery model, brief study has showed the model in its essentials as consistent with the guidance.
- 4.5.6 More significantly, a good practice checklist is annexed to the document. It is not known whether any elements of either of the County's HATs have been self-assessed against the checklist (the Project Manager was unaware of any such exercise for the South HAT).
- 4.5.7 It is suggested to management (as an advisory rather than a recommendation) that incorporation of such a self-assessment would add significant value to the forthcoming Executive report.
- 4.6 Information Assurance
- 4.6.1 The APP Civica system was last subject to application control review in 2010 and since that time some additional functional modules have been rolled out. For this examination, a review of current users with access to the Private Sector Housing module has been undertaken. This identified two non-Warwick District members of the HAT who were found to have left recently (this was reported and the APP System Administrator advised accordingly).
- 4.6.2 The Project Manager advised that the departure of the officers in question was reported, although this was to ICT Services and not the APP System Administrator (who is based in Health and Community Protection). The Auditor in turn advised that the latter should also be contacted directly where APP users are concerned.
- 4.6.3 Because of the restricted availability of work stations with the requisite client software installed, the risk of successful access to APP by the persons concerned would have been minimal even while they remained on the system as live users.
- 4.6.4 Overall, the findings serve to re-confirm that the essential controls to preserve confidentiality, integrity and availability of the information assets operate effectively.
- 4.6.3 A data matching exercise to verify that all payments in respect of DFGs awarded from 1<sup>st</sup> April 2012 to date are represented in the APP system showed a minimal incidence of anomalies of relatively low amount that have since been corrected.
- 4.6.4 It has been confirmed from enquiry and observation that key secondary electronic information resources are appropriately protected and restricted.
- 4.6.3 A considerable volume of paper records continues to be maintained, mostly held in filing cabinets (there is still a requirement for script signatures on much of the key documentation). The open plan nature of the area where the files are held inhibits unauthorised access during office hours.

## 5 **Conclusions**

5.1 Due to the transitional state of the management framework, the assurance level ascribed from the audit findings is based on three main assumptions:

- § That the relevant provisions of the delivery plan for the Housing Strategy 2014-17 will be progressed within their target dates (subject to reasonable tolerances).
- § That the Executive review of the HAT project advised planned later this year will take place in due course.
- § That the delivery model for disabled adaptations inherent in the HAT pilot will continue to operate for the foreseeable future.

5.2 In operational terms the HAT delivery model has shown itself to be implemented with structures and processes that work well with robust controls. A brief review of other grants of significant application has found similarly sound controls in place and, in overall terms, the only issues to emerge on day-to-day operation have been relatively minor.

5.3 Historic governance issues over the implementation of the HAT pilot are observed, although these have since been corrected by virtue of adoption of the Housing Strategy. There is still a perceived need for the HAT pilot to come out of the shadows by being given due representation in the service planning and Risk Register review processes.

5.4 Notwithstanding the above, the findings demonstrate a well-managed service and give SUBSTANTIAL assurance that the control environment is suitably robust to deliver the applicable functions economically, efficiently and effectively and to manage the risks arising.

## 6 **Management Action**

6.1 The recommendations made are reproduced in the Action Plan with management response.

Richard Barr  
Audit and Risk Manager

**FROM:** Audit and Risk Manager  
**TO:** Head of Finance  
**C.C.** Chief Executive  
Exchequer Manager  
Finance Administration  
Manager

**SUBJECT:** Sundry Debtors  
**DATE:** 1 July 2015

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2015/16, an examination of the above subject area has been completed and this report presents the findings and conclusions for information and action where applicable. This topic was last audited in February 2013.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated where appropriate, in the below report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 Background

- 2.1 The 'TOTAL' system is used to process sundry debtors transactions with invoices being raised in order for the council to receive the income that it is due.
- 2.2 At the date of audit, the monthly average value of debtor invoices processed by the TOTAL system totals £1.6m.

## 3 Scope and Objectives of the Audit

- 3.1 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.2 The expected controls for the matrices relating to Debtors are categorised into the following main headings:
- (1) General
  - (2) Raising invoices
  - (3) Amendments to invoices
  - (4) Payments
  - (5) Debt recovery

- (6) Write-offs
  - (7) Monitoring and reporting
  - (8) Security of data.
- 3.3 Some specific tests were not performed as they were either considered not relevant to the operations of the council or are covered under separate audits. Specifically, the security of data section was not covered, as separate audits of ICT applications are performed.

## **4 Findings**

### **4.1 General**

- 4.1.1 The corporate source of the roles, responsibilities and policies for the sundry debtors function are contained in the updated Code of Financial Practice and Code of Procurement Practice.
- 4.1.2 The Financial Services Team (FST) have developed a sundry debtor instruction manual, which documents the processes and controls for the complete debtor transaction cycle. The contents of the manual were reviewed and were considered by Internal Audit to be a useful guide for all aspects of the debtor transaction cycle.
- 4.1.3 Access to TOTAL is provided upon completion of a user access form. This needs to be authorised by the relevant service manager before being passed to the FST for processing.
- 4.1.4 The form also highlights that users will only be given access to the system after training has been undertaken. There is no formal training package in place for the debtors aspects of TOTAL, so training needs would be assessed by the FST and coaching would be provided as required. Video demos are also available on the system that can be referred to by any users of the system.

### **4.2 Raising of Invoices**

- 4.2.1 Testing was undertaken on a sample of invoices raised to ensure that they contained an appropriate level of detail, such as the actual value of the services provided and contact details. This test proved satisfactory.
- 4.2.2 During the testing, it was noted that the supporting documentation for the Lifeline invoices was held on the Finance I drive, outside of TOTAL. This process was found to be in compliance with the procedure detailed in the sundry debtors manual.

### **4.3 Amendments to Invoices**

- 4.3.1 Where amendments are required to the invoices raised, credit notes will be issued.
- 4.3.2 Testing undertaken on a sample of credit notes confirmed that appropriate supporting documentation was held and they had been

raised in a timely manner in line with instructions from the relevant department. They had also been authorised, as appropriate, by a member of staff from that department.

#### **4.4 Payments**

- 4.4.1 The invoices issued give details of the various methods of payment available to the debtor. Whichever payment method is chosen, there is appropriate segregation of duties in place between the receipt of payment and the processing of debtor invoices.
- 4.4.2 Debtor payments are all processed via the PARIS income management system, which is subject to separate audits. The PARIS system will allocate debtor payments against the relevant invoices, assuming that the payment has quoted the correct eight digit invoice number.
- 4.4.3 Where payments received on PARIS cannot be matched, they are placed into a suspense account. Upon review, it was confirmed that the PARIS suspense account is reviewed on a daily basis in order to identify where the monies should be allocated. At the time of review it was confirmed that none of the payments in the PARIS suspense account related to sundry debtor payments.
- 4.4.4 There is also a suspense account within TOTAL. The suspense account is cleared on a daily basis by members of the FST. Testing confirmed that the recent amounts posted to the TOTAL suspense account had been subsequently allocated to the correct debtor account.

#### **4.5 Debt Recovery**

- 4.5.1 Generation of the debt recovery reminder letters, relating to unpaid invoices, forms part of the daily tasks completed by the FST.
- 4.5.2 Testing was undertaken to ensure that debt recovery letters were being sent as appropriate and follow-up action was being undertaken where relevant, involving service departments, the FST, and debt recovery agents where required. The testing confirmed that appropriate recovery action had been taken, in compliance with the sundry debtor manual.
- 4.5.3 There are a small number of occasions when the decision is taken to suppress the automated recovery controls and replace them with manual controls.
- 4.5.4 Testing was undertaken on a sample of suppressions to ensure that this was a justified course of action. Supporting documentation reviewed confirmed this to be the case in all sampled instances.

#### **4.6 Write-Offs**

- 4.6.1 Sundry debtor write-offs occur where outstanding debts are judged to be irrecoverable. Testing was undertaken on a sample of write-offs to ensure that they were supported by appropriate evidence to show that

the debt could not be recovered and that the write-offs had been authorised by the appropriate service manager and the Finance Administration Manager.

- 4.6.2 It was noted that the documentation held to support the write-offs is a combination of internal and independent evidence. Whilst this was considered by Internal Audit to be acceptable, it is advised that independent evidence should be obtained wherever possible.

#### **4.7 Monitoring & Reporting**

- 4.7.1 It was confirmed that outstanding aged debtor reports are being run on a monthly basis as appropriate.
- 4.7.2 The Finance Administration Manager reviews these reports each month, along with notes made on the TOTAL debtor notepad, with the objective of considering if additional follow-up action is required in relation to any of the debtor arrears detailed.
- 4.7.3 It was confirmed that the May 2015 month-end report had been reviewed as appropriate. As a result of this review, a total of two debts had been referred to the relevant departments for them to resolve.
- 4.7.4 In one case, a debt of £1,094 had been outstanding for more than six months. The case had been referred back to the relevant department as the debtor had raised queries about their invoice. It was noted that a timely follow-up date has been set for the FST to review the actions taken by the service department.
- 4.7.5 The other case related to the highest value invoice on the report (£1.077m relating to a section 106 agreement) which had been outstanding for more than one month. This has been referred to the Major Sites Monitoring Officer so that he can work with the debtor in order to resolve the collection of this debt.
- 4.7.6 An annual process is in place to stratify the outstanding sundry debt balances as at 31 March in order to identify any debts for which a bad debt provision needs to be made.

#### **4.8 Follow-Up of Previous Audit Recommendations**


- 4.8.1 The previous Internal Audit report, dated 20 February 2013, included four recommendations. Three of these were considered to be low risk and the other was rated as medium.
- 4.8.2 Testing and enquiries confirmed that the three low risk recommendations have been implemented.
- 4.8.3 The other recommendation related to the review of the corporate debt recovery policy. The feasibility of having one, overarching, policy had been reviewed by the Finance Administration Manager. Due to the different processes that exist within the council for dealing with the various types of debts in the different departments, it was established

that it was not relevant to have one single policy. This had been agreed in conjunction with the Head of Finance and it had also been accepted by the Deputy Chief Executive (AJ) who had queried whether progress had been made against this 'Forward Plan' item.

## **5 Summary and Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for Sundry Debtors are appropriate and are working effectively.
- 5.2 As a result of our findings, no recommendations were thought to be warranted.

Richard Barr  
Audit and Risk Manager

 <b>FINANCE &amp; AUDIT SCRUTINY COMMITTEE</b> <b>1 DECEMBER 2015</b>		<b>Agenda Item No. 6</b>
<b>Title</b>	Annual Governance Statement Action Plan 2015/16: Review of Progress	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	2 September 2015	
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2007) Delivering Good Governance in Local Government: Framework (Addendum) (CIPFA/SOLACE 2012) Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (CIPFA/SOLACE 2012) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No (N/A: no direct service implications)

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	13 Nov 2015	Chris Elliott / Andrew Jones
Head of Service	21 Oct 2015	SMT
CMT	21 Oct 2015	CMT
Section 151 Officer	13 Nov 2015	Mike Snow
Monitoring Officer	13 Nov 2015	Andrew Jones
Finance	13 Nov 2015	As S151 Officer
Portfolio Holder(s)	13 Nov 2015	Councillor Mobbs



<b>Consultation &amp; Community Engagement</b>	
Senior Management Team review of Annual Governance Statement Action Plan	
<b>Final Decision?</b>	Yes
<b>Suggested next steps (if not final decision please set out below)</b>	

## 1 **SUMMARY**

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2014/15. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

## 2 **RECOMMENDATIONS**

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues relating to the Annual Governance Statement 2014/15.

## 3 **REASONS FOR THE RECOMMENDATIONS**

- 3.1 To help fulfil Members' responsibility for effective corporate governance within the Council.
- 3.2 To provide assurance to Members that governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

## 4 **POLICY FRAMEWORK**

- 4.1 The Annual Governance Statement describes governance arrangements relating to the Council's corporate priorities and key strategic projects that are reflected in Fit for the Future. The Fit for the Future programme is also based on an agreed set of values amongst which are the ones of openness and honesty. This is integral to the consideration of governance in an organisation; governance issues needs to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.
- 4.2 The arrangements will assist the Council in furtherance of its priority of providing clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.

## 5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **RISKS**

- 6.1 Risk management is an intrinsic element of corporate governance. There are various risks associated with the Significant Governance Issues and these not being addressed satisfactorily.

## 7 **ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 8 CORPORATE GOVERNANCE IN LOCAL AUTHORITIES

- 8.1 CIPFA/SOLACE emphasise that corporate governance is everyone's business and define it as:

*"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."* CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

- 8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:

- a clear definition of the body's purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
- members and officers are working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective;
- engaging with local people and other stakeholders to ensure robust public accountability.

Both the Annual Governance Statement and the Council's Code of Corporate Governance reflect these six themes.

## 9 ANNUAL GOVERNANCE STATEMENT

- 9.1 The production of an Annual Governance Statement is a statutory requirement for local authorities.
- 9.2 Regulation 4 of The Accounts and Audit (England) Regulations 2011 states:

### **Responsibility for financial management**

4.—(1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) must be considered—

(a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and

(b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and

following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—

(a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or

(b) any accounting statement it is obliged to prepare in accordance with regulation 12.

9.3 The CIPFA Financial Advisory Network has published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.

9.4 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:

- Deputy Chief Executives and Service Area Managers
- the Responsible Financial Officer
- the Monitoring Officer
- Members
- the Audit and Risk Manager
- performance and risk management systems
- third parties, e.g. partnerships
- external audit and other review agencies.

## 10 THE SIGNIFICANT GOVERNANCE ISSUES

10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement.

10.2 The Significant Governance Issues are summarised in the Annual Governance Statement Action Plan for 2015/16 that forms part of the Annual Governance Statement for 2014/15.

- 10.3 The Annual Governance Statement (incorporating the Action Plan setting out the Significant Governance Issues) has been approved by Full Council.
- 10.4 The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.
- 10.5 The progress in addressing these governance issues is reported by the officers that are leading on them.

## Annual Governance Statement 2014/15: Action Plan for Significant Governance Issues

### Review of Progress to end of Sept 2015

AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2015
3.4.1	All constitution-related documents that have not been reviewed in the previous twelve months to be reviewed.	Civic & Committee Services Manager (DMO) (Overseen by Deputy Chief Executive (AJ))	<p>While it does not form part of the Constitution the Code of Corporate Governance review needs to be completed.</p> <p>Articles 1-16 need to be looked at. However, at most, minimal amendments will be required. The Officer Employment Procedure Rules need to be considered but this should wait for update on national negotiations DIP/Independent Person roles on statutory officers.</p> <p>We also need to look at members' allowances but I see this as the back end of the financial year.</p>	This had to be placed on hold for this quarter due to absence of key members of staff. However, it is anticipated that Articles 1-16 will be brought to Executive in December 2015 for consideration.
3.6.2	Service-specific contract management training to be delivered to relevant managers.	Head of Finance	HR/Procurement Manager arranging full day training session for September. Meeting with proposed provider 15 July.	Contract Management Training provided September 24. Any further service related contract management training to be arranged by the relevant service.


AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2015
3.6.3	Procurement training to be provided to new Members.	Head of Finance	Scheduled for 8 July 2015.	Training attended by members.
3.6.11	Service risk registers to be reviewed by service management teams and portfolio holders on at least a quarterly basis.	Service Area Managers (Overseen by CMT)	Service Risk Registers reviewed by Heads of Service and respective Portfolio Holders on an ongoing basis.	Position same as previous quarter.

AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2015
3.6.13	Business Continuity Plans for services to be updated.	Service Area Managers (Overseen by CMT)	<p>As per Sam Collins, Civil Contingencies Officer:</p> <ul style="list-style-type: none"> <li>• Neighbourhood Services – outstanding as of 10/07/2015. Expected 01/08/2015 to include Bereavement Services / Crematorium procedures.</li> <li>• Health &amp; Community Protection – Updated July 2015</li> <li>• Finance – Reviewed April 2015 however in need of further review regarding Revenues &amp; Benefits functions. Expected 01/09/2015.</li> <li>• Housing &amp; Property Services – Updated July 2015</li> <li>• Cultural Services – Updated July 2015</li> <li>• Development Services – Updated July 2015.</li> </ul> <p>A programme for the services under the management of the Chief Executive's Office will begin in September 2015.</p>	<p>As per Sam Collins, Civil Contingencies Officer:</p> <ul style="list-style-type: none"> <li>•Neighbourhood Services – Completed August 2015. Action Plan initiated to mitigate any identified vulnerabilities within the department.</li> <li>•Health &amp; Community Protection – Updated July 2015</li> <li>•Finance – reviewed and updated in August 2015. Further work on-going.</li> <li>•Housing &amp; Property Services – Updated July 2015</li> <li>•Cultural Services – Updated July 2015</li> <li>•Development Services – Updated July 2015.</li> <li>•CEX Office – HR Manager, Democratic Services Manager &amp; Civil Contingencies Officer have met and have agreed to develop a shared plan for HR, Media &amp; Democratic Services. Estimated completion date February 2015.</li> <li>•CEX Office – ICT Services. Civil Contingencies Officer &amp; ICT Services Manager have met. ICT Services Manager to develop plan throughout December 2015.</li> </ul>



AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2015
3.8.4	Budget monitoring systems to continue to be improved.	Head of Finance	Following on from 2014/15 outturn, main area of concern is the variances for Property Services, relating to the use of the Active H and Total systems. The use of how these 2 systems work together is being considered as a project, for which a project team is currently being set up by the Head of Housing & Property Services.	Initial meetings between Finance and H&PS held, with last meeting on 3 August.
3.10.5	Training to be provided to Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively.	Civic & Committee Services Manager (DMO) (Overseen by Deputy Chief Executive (AJ))	Comprehensive training programme is being delivered and will continue for the remainder of the financial year.	Ongoing.
4.4.1	The Code of Corporate Governance to be reviewed and updated. (Brought forward from last year.)	Audit & risk Manager (Overseen by CMT)	The review has been completed and a new Code of Corporate Governance has been produced. It is currently being consulted on and will then need issuing.	Confirmation obtained that document is required to be condensed. Audit & Risk Manager will take progress through SMT and committee.

AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2015
4.7.3	To ensure that the necessary management actions emanating from the internal audit reviews of Corporate Procurement, Shared Legal Services and Section 106 Agreements (which all received moderate assurance opinions) are acted upon in accordance with the required timescales.	CMT / Head of Finance	Corporate Procurement issues being addressed as part of Procurement Action Plan. Legal Service management actions are on track.	Corporate Procurement issues being addressed as part of Procurement Action Plan. All the Legal Services recommendations have been actioned.

	<b>Finance &amp; Audit Scrutiny Committee</b> <b>3 November 2015</b>	<b>Agenda Item No. 7</b>
<b>Title</b>	<b>Comments from the Executive</b>	
<b>For further information about this report please contact</b>	Graham Leach Democratic Services Manager 01926 456106 <a href="mailto:committee@warwickdc.gov.uk">committee@warwickdc.gov.uk</a>	
<b>Service Area</b>	Civic & Committee Services	
<b>Wards of the District directly affected</b>	n/a	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	n/a	
<b>Background Papers</b>	Finance & Audit Scrutiny Committee minutes 3/11/2015 Executive minutes from 4/11/2015	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Deputy Chief Executive		
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		
Portfolio Holders		

<b>Consultation Undertaken</b>	
n/a	
<b>Final Decision?</b>	Yes
<b>Suggested next steps (if not final decision please set out below)</b>	

## **1. Summary**

- 1.1 This report summarises the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 4 November 2015.

## **2. Recommendation**

- 2.1 That the responses made by the Executive be noted, as set out in Appendix 1 to the report.

## **3. Reasons for the Recommendation**

- 3.1 This report is produced to create a dialogue between the Executive and the Finance & Audit Scrutiny Committee, ensuring that the Scrutiny Committee is formally made aware of the Executive's responses.

## **4. Alternative Options Considered**

- 4.1 The Committee receives and notes the minutes of the Executive instead.

## **5. Budgetary Framework**

- 5.1 There is no impact on the budgetary framework. This is for the Committee's information only.

## **6. Policy Framework**

- 6.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

## **7. Background**


- 7.1 As part of the scrutiny process, the Committee no longer considers the whole of the Executive agenda.
- 7.2 Councillors are emailed at the time of the publication of the Executive and Scrutiny Committee agendas, asking them to contact Committee Services by 9.00 am on the day of the Scrutiny Committee, to advise which Executive items they wish the Scrutiny Committee to pass comment on and the reasons why.
- 7.3 As a result, at its meeting on 3 November 2015, the Finance & Audit Scrutiny Committee considered the items detailed in the appendices. The responses which the Executive gave are also shown.

**Responses from the meeting of the Executive held on 30 September 2015 to the Finance and Audit Scrutiny Committee's comments**

<b>Item no</b>	4	<b>Title</b>	<b>Budget Review to 30 September 2015</b>
<b>Scrutiny Comment</b>	The Finance & Audit Scrutiny Committee supported the recommendations in the report		
<b>Executive Response</b>	There was no response from the Executive		

**Response from the meetings of the Executive on Joint Finance & Audit and Overview & Scrutiny Committee Comments – 4 November 2015**

<b>Items no.</b>	3	<b>Title</b>	Leisure Options
<b>Reason considered</b>	Because of the importance to the District.		
<b>Scrutiny Comment</b>	<p>The Joint Scrutiny Committee recommends to the Executive that</p> <p>(1) recommendations 2.6, 2.7, 2.8 &amp; 2.9 are removed, effectively retaining the Leisure Options in Council's management control and continuing under existing arrangements; and</p> <p>(2) the Executive investigate the option of introducing a "Passport to Leisure" into the contract to enable access to leisure facilities for all members of the community.</p> <p>(3) they consider the Trust option and ensure they consider the Social Value losses and gains of all three options.</p>		
<b>Executive Response</b>	<p>The Executive welcomed the recommendations from the Joint Scrutiny Committee and agreed to support the second point. However they could not support the first recommendation because of the substantial reasons within report to support the recommendations, the information and debate within the confidential part of the meeting relating to this matter, the way this provided upgrade to the facilities, the way the external management option provided for growth in this District including provision of further jobs, that this would provide a substantial improvement in the financial health of the Council and the significant and important advice received from officers on this matter.</p> <p>The response to (3) is contained within the confidential minutes of the Executive meeting of 4 November 2015, as set out in their agenda for 2 December 2015.</p>		

 <b>Finance &amp; Audit Scrutiny Committee</b> <b>- 1 December 2015</b>		<b>Agenda Item No.</b> <h1 style="text-align: center;">8</h1>
<b>Title</b>	<b>Review of the Work Programme &amp; Forward Plan</b>	
<b>For further information about this report please contact</b>	Lesley Dury Committee Services Officer 01926 456114 <a href="mailto:committee@warwickdc.gov.uk">committee@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	n/a	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	n/a	
<b>Background Papers</b>	n/a	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	n/a
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	n/a

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer		
Monitoring Officer		
Finance		
Portfolio Holder(s)		
<b>Consultation &amp; Community Engagement</b>		
n/a		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. Summary**

- 1.1 This report informs the Committee of its work programme for 2015/16 (Appendix 1) and the current Forward Plan (Appendix 2).

## **2. Recommendation**

- 2.1 Members consider the work programme and agree any changes as appropriate.
- 2.2 The Committee to; identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and to nominate a Member to investigate that future decision and report back to the Committee.

## **3. Reasons for the Recommendation**

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 If the Committee has an interest in a future decision to be made by the Executive it is within the Committee's remit to feed into the process.
- 3.3 The Forward Plan is the Executive's future work programme. If any non-Executive Member or Members highlight items which are to be taken by the Executive which they would like to be involved in, those Members can then provide useful background to the Committee when the report is submitted to the Executive and when the Committee passes comment on it.

## **4. Policy Framework**

- 4.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

## **5. Budgetary Framework**

- 5.1 All work for the Committee has to be carried out within existing resources. Therefore, there is a limit to the time available that officers will have to assist Members, so the Committee may wish to prioritise areas of investigation.

## **6. Risks**

- 6.1 This Committee contributes to the effective minimisation of risk by fulfilling its duties in a timely manner and scrutinising the work undertaken by the Executive.

## **7. Alternative Option(s) Considered**

- 7.1 The only alternative option is not to undertake this aspect of the overview and scrutiny function.

## **8. Background**

- 8.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.

- 8.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 8.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve month period to give a clearer picture of how and when the Council will be making important decisions.
- 8.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 8.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 8.6 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan. The Committee may wish to give greater consideration to the reports in Section 2 of Appendix 1, to maximise the time available for Members to input into the process.



## Finance and Audit Scrutiny Committee

# WORK PROGRAMME 2015/16

### 1 DECEMBER 2015

#### AUDIT ITEMS

1	Treasury Management Activity Report 2015/16	Report	Roger Wyton	1 <sup>st</sup> Half Year Biannual report
2	Internal Audit Quarterly Report – Quarter 2 2015/16	Report	Richard Barr	Quarterly report
3	Annual Governance Statement Quarter 2 2015/16 Action Plan	Report	Richard Barr	Quarterly Report

#### SCRUTINY ITEMS

4	Presentation on Disabled Adaptations	Report	Andrew Thompson	Agreed 11 December 2012 (minute 97, Executive item 5)
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### 12 JANUARY 2016

#### AUDIT ITEMS

1	2015/16 Audit Opinion Plan	Report	Mike Snow / EA	Annual report
2	External Audit Certification of Claims and Returns	Report	Mike Snow	External Audit Annual report

#### SCRUTINY ITEMS

3	Procurement Biannual Report	Report	Susan Simmonds	Biannual report
4	Health & Community Protection Risk Register	Report	Richard Barr	
5	Housing Business Plan Performance Management	Report	Abigail Hay	Biannual report

**9 FEBRUARY 2016****No scheduled audit items****SCRUTINY ITEMS**

1	Chief Executives Contracts Register	Report	Chris Elliott	
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**8 MARCH 2016****AUDIT ITEMS**

1	Internal Audit Strategy & Plan 2016/17 – 2018/19	Report	Richard Barr	Annual report
2	Internal Audit Quarterly Report Quarter 3 2015/16	Report	Richard Barr	Quarterly report
3	Auditing Standards	Report	Mike Snow	Annual report
3	Annual Governance Statement Quarter 3 2015/16 Action Plan	Report	Richard Barr	Quarterly Report

**No scheduled scrutiny items**

1	Scrutiny of Infrastructure Delivery Plan	Report	Tracy Darke	Update report from 29/09/15 – agreed by F&A, minute number 67.
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**5 APRIL 2016****No scheduled audit items****SCRUTINY ITEMS**

1	End of Term Report	Report	Amy Carnall / Chair	Annual report
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## **FORWARD PLAN**

### **Forward Plan December 2015 to March 2016**

**COUNCILLOR ANDREW MOBBS**  
**LEADER OF THE EXECUTIVE**

The Forward Plan is a list of all the Key Decisions which will be taken by the Executive or its Committees in the next four months. The Warwick District Council definition of a key decision is: - a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

Whilst the majority of the Executive's business at the meetings listed in this Forward Plan will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is formal notice under the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 that part of the Executive meeting listed in this Forward Plan will be held in private. This is because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those items which are proposed to be considered in private are marked as such along with the reason for the exclusion in the list below.

If you would like to make representations or comments on any of the topics listed below, including the confidentiality of any document, you can write to the contact officer, as shown below, at Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ. Alternatively you can phone the contact officer on (01926) 353362. If your comments are to be referred to in the report to the Executive or Committee they will need to be with the officer 7 working days before the publication of the agenda. You can, however, make comments or representations up to the date of the meeting, which will be reported orally at the meeting. The Forward Plan will be updated monthly and you should check to see the progress of the report you are interested in.

**(743)**

**Section 1 – The Forward Plan December 2015 to March 2016**

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
<b>2 December 2015</b>						
General Fund Budgets 2016-17 to include Budget Review for the current year (Ref 699)	To consider the following year revenue budgets for the General Fund		Executive – 02/12/15	24/11/15	Marcus Miskinis  Cllr Whiting	
Strategic Opportunity Proposal (Ref 712)	To update Members on the current position.  <b>It is anticipated that this report will be, in part, Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information)</b>		Executive 03/09/15 30/09/15 02/12/2015	24/11/2015	Chris Elliott Cllrs Mobbs, Coker, Phillips, Whiting, Cross & Gallagher	The Local Plan proposals have been subject to a number of public consultations and planning applications involved have also been subject to public consultation. The proposal has been the subject of discussion privately and confidentially with a number of agencies but especially with the County Council. Submission version of Local Plan; Planning Application (W/14/1076); Planning Application (W/14/0967); Report

						to Executive in October 2014 re Council Housing Programme; Report to Executive in November 2014 re Sports and Leisure Review.  Reports to Council and Executive January & March 2015 re: SOP
Multi-storey car park update (Ref 728)	To consider a report on the structural repairs and refurbishment requirements of our multi-storey car parks		Executive – 02/12/15	24/11/15	Gary Charlton Cllr Shilton	
Land at rear of Albion Street, Kenilworth (Ref 730)	This concerns access over WDC land <b>It is anticipated that this report will be, in part, Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information)</b>	Executive 30/09/15	Executive – 02/12/15	24/11/15	Chris Makasis  Cllrs Phillips and Cross	
Statement of Community Involvement (SCI) (Ref 733)			Executive – 02/12/15	24/11/15	Lorna Coldicott Cllr Cross	
Digital Transformation Programme (Ref 739)	To agree a programme of work to help deliver the Council's digital transformation programme		Executive – 02/12/15	24/11/15	Andrew Jones Councillor Mobbs	
HR Resources Review	To consider approval for funding additional HR resource to enable the area to continue to provide a		Executive 02/12/2015	24/11/15	Tracy Dolphin	

(Ref 732)	<p>proactive service for the organisation that is both sustainable and resilient as part of essential underpinning work to support FFF initiatives.</p> <p><b>It is anticipated that this report will be, in part, Confidential by virtue of the information relating to an individual or which is likely to reveal the identity of an individual.</b></p>				Cllr Mobbs	

## 13 January 2016

HRA Business Plan Review (Ref 736)			Executive 13/1/16	5/1/2016	Andy Thompson Cllr Phillips	
Partnership Policy (Ref 740)	To agree the Council's Partnership Policy		Executive 13/1/16	5/1/2016	Andrew Jones Councillor Mobbs	
Whitnash Community Hub (Ref 741)	To receive information following the feasibility study of a Whitnash Community Hub		Executive 13/1/16	5/1/2016	Andrew Jones Cllr Mrs Grainger	
Supporting People Grant Changes (Ref 674)	To provide an update on the outcome of the Supporting People Funding consultation and its effect on Warwick District  (Moved Reason 2- Waiting for further information from a Government Agency)		<del>Executive 11<sup>th</sup> February 2015</del> Executive 04/11/15 13/1/16	5/1/2016	Jacky Oughton Cllr Phillips	
HRA Budgets 2016-17 (Ref 700)	To consider the following year revenue budgets for the HRA		<del>Executive – 02/12/15</del>	24/11/15	Mike Snow Cllr Whiting	
HQ Relocation (Ref 742)	Part A and B reports		Executive 13/1/16	5/1/2016	Duncan Elliott Cllr Mobbs	Executive papers – 30/09/2015
Future Delivery of Housing Aids and Adaptations Services – HEART (Ref 734)	To propose a revised approach to the delivery of aids and adaptations for residents of social and private housing.		Executive 30/09/15 02/12/2015	24/11/2015	Andy Thompson Cllr Phillips	

Procurement of Corporate Energy Supplies (Ref 735)	To propose a cost effective approach to securing energy supplies for the Council		Executive 04/11/15 02/12/2015	24/11/2015	Andy Thompson Cllr Phillips	
Private sector housing grants policy (Ref 658)	To propose a revised policy for the allocation of grant funding for private residents		Executive – 11th March 2015 Executive – 02/12/15	24/11/15	Abigail Hay Cllr Phillips	TBC
Becoming a Dementia Friendly Council (Ref 714)	To consider a report from Health and Community Protection		Executive 03/09/15 02/12/2015	24/11/15	Rob Chapleo Cllr Mrs Grainger	
Waste container charging (Ref 731)	To consider whether to bring in a charge for wheeled bins, recycling boxes and bags.  .. Postponed from 04/11 - Portfolio Holder has deferred the consideration of the report		Executive 04/11/2015 02/12/2015	24/11/15	Becky Davies Cllr Shilton	



**Section 2 Key decisions which are anticipated to be considered by the Council between March 2016 and May 2016**

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
<b>9 March 2016</b>						
Council Development Company (Ref 727)	To consider a report on establishing a Council Development Company		Executive 04/11/15 09/03/2016	01/03/2015	Andy Thompson Cllr Phillips	Executive report March 2015 – Establishing a Council Development Company for Warwick District
<b>6 April 2016</b>						
<b>May 2016</b>						

## TO BE CONFIRMED

Topic and Reference	Purpose of report	History of Committee Dates & Reason code for deferment	Contact Officer & Portfolio Holder	Expansion on Reasons for Deferment	External Consultees/ Consultation Method/ Background Papers	Request for attendance by Committee
Health Strategy (Ref 576)	To update members on the formulation of the Council's Health Strategy, following the return of Public Health to local authorities  (Moved March 14 Reason 3)	<del>Executive 12 March 2014</del>  TBC	Rob Chapleo  Cllr Mrs Grainger	The strategy will need to take into account the approach of the new administration and County Health & Wellbeing Strategy		
Cleaning Services (Ref 659)	To approve a revised way of delivering the Cleaning Services to Council buildings.	<del>14<sup>th</sup> Jan 2015</del> <del>Executive 11<sup>th</sup> March 2015</del>  <del>2 February 2015</del>  <del>2 March 2015</del>	Jacky Oughton Cllr Phillips	Moved from January – Reason 5 – pending further legal advice on implications of report		
Asset Management Strategy (Ref 641)	To propose an Asset Management Strategy for all the Council's buildings and land holdings. (Moved Reason 6 Seeking further clarification on implications of report)	5 November 2014  Executive (03/09/15)	Bill Hunt  Cllrs Coker & Mobbs			

**Section 3 – Items which are anticipated to be considered by the Executive but are NOT key decisions**

<b>Topic and Reference</b>	<b>Purpose of report</b>	<b>If requested by Executive – date, decision &amp; minute no.</b>	<b>Date of Executive, Committee or Council meeting</b>	<b>Publication Date of Agendas</b>	<b>Contact Officer &amp; Portfolio Holder</b>	<b>External Consultees/ Consultation Method/ Background Papers</b>
<b>December 2015</b>						
Code of Corporate Governance	To recommend to Council an updated Code of Corporate Governance.		Executive – 02/12/15	24/11/15	Richard Barr Councillor Mobbs	

<b>January 2016</b>						

Delayed reports:

If a report is late, officers will establish the reason(s) for the delay from the list below and these will be included within the plan above:

2. Portfolio Holder has deferred the consideration of the report
3. Waiting for further information from a Government Agency
4. Waiting for further information from another body
5. New information received requires revision to report
6. Seeking further clarification on implications of report.

**Details of all the Council’s committees, Councillors and agenda papers are available via our website [www.warwickdc.gov.uk/committees](http://www.warwickdc.gov.uk/committees)**

**The forward plan is also available, on request, in large print on request, by telephoning (01926) 353362**