Report

To: Chris Elliot, WDC

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From: Chris West, FCPFA

24th May, 2021.

Stratford-on-Avon DC and Warwick DC Financial Disclosure review

1. Scope of this report

This report has been produced to the brief included at Appendix A and is designed to provide financial information to feed into the decision making surrounding the proposed merger of Stratford-on-Avon and Warwick District Councils. In particular it will outline areas of potential risk for the 2 councils.

The report has been based on a review of financial information provided by the councils, and on interviews with some key officers, including the joint S151 officer and monitoring officers. Reference has also been made to data published by Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). It has been produced in a short period during April 2021 and is necessarily constrained by the resource available to input into it. The report is not intended to amount to a due diligence process nor itself be adequate as the basis for any final decision on a merger. It is designed to promote understanding and thinking across the two councils.

2. Overall summary of the councils

The two councils have similar sized General Fund budgets for 2021/22:

Stratford-on-Avon District Council (SDC): £17.370m

Warwick District Council (WDC): £17.444m

They serve similar sized populations with a broadly similar net General Fund cost per head of population. They both serve a combination of small towns and rural areas, with many challenges in common.

Both Councils have a positive overall net worth.

Both Councils rely heavily on council tax and business rates for their overall resource position – as table 2 shows in both cases these two sources amount to 66% of the resource base underpinning the 2021/22 budget. This gives the councils similar risk profiles – on one hand they are exposed to Government reforms to local government funding, which may deplete their resource base – especially business rates through the Fair Funding

Review/reset processes. On the other hand, they are to a degree insulated from future cuts to other grant support because so much of their revenue is locally generated.

One key difference is that WDC still retains its council housing stock and operates a Housing Revenue Account (HRA). At least £410m of its long term assets are HRA – if this is netted off its total assets of £534m, the net figure is £123m – which brings it much closer to the SDC figure of £78m. The HRA brings with it both assets and historic debt (of around £136m). However, the HRA is a ringfenced account and that debt should be serviced within it. Once merged SDC would have the ability to use an HRA which it no longer has, which adds flexibility to its options for housing strategy going forward – on balance this is more of an opportunity than a risk.

Both councils have outsourced many of their services including waste collection, grounds maintenance, street cleansing and leisure.

Table 1: High level comparison for some financial measures

Item	**Stratford DC**		**Warwick DC**	
2021 Population per ONS forecasts	133,480		144,892	
	£000s	**£000s per head**	**£000s**	**£000s per head**
From 2019/20 Statement of Accounts				
Overall Net worth	59,952	0.45	391,568	2.70
Total Usable reserves (includes capital)	22,093	0.17	65,913	0.45
General Fund Reserve at 31/3/20	8,870	0.07	3,118	0.02
Other Earmarked GF Revenue Reserves at 31/3/20	5,788	0.04	18,806	0.13
Long Term Assets	77,706	0.58	533,593	3.68
Total External Borrowing (due in > 1 year)	-		148,157	1.02
General Fund Only External Borrowing	-		12,000	0.08
Pension Deficit	40,111	0.30	40,891	0.28

3. The Medium Term Financial Strategy (MTFS)

The case for merger is heavily driven by finances, and the challenges and risks facing both councils in balancing the MTFS.

It is notoriously difficult to compare the MTFS's of two councils, because the approach to presentation and the underpinning assumptions and political priorities are so different.

One key issue is the treatment of planned savings programmes and whether or not they are shown as being delivered or not. Given this, the savings programmes of the two councils are dealt with separately in section 6 below.

Table 2 below attempts to put the information provided by the two councils on a broadly similar presentational format.

Table 2: Comparison of MTFS's

£000s					
Warwick DC	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Net Cost of Services	17,444	15,037	14,438	14,794	15,126
Funded by:					
Business Rates/other govt funding	4,325	3,539	3,645	3,754	3,684
NHB	3,269	1,278	-	-	-
Council Tax	9,889	10,274	10,669	11,071	11,478
Other	39	54	43		
Total Resources	17,522	15,145	14,357	14,825	15,162
Gap (surplus)	- 78	- 108	81	- 31	- 36
Stratford DC					
Net Cost of Services	17,370	16,401	15,899	15,162	14,807
Funded by:					
Business Rates/other govt funding	3,000	4,555	4,663	4,775	4,775
NHB	4,290	1,322			
Council Tax	8,435	8,790	9,100	9,421	9,753
Other	792				
Total Resources	16,517	14,667	13,763	14,196	14,528
Gap (surplus)	853	1,734	2,136	966	279

Note: The SDC gap is funded from general fund balances, which as a consequence reduce over time.

There are some immediately common issues:

- Both councils see resources reducing over time, despite planned Council Tax increases.
- Both councils have seen large income from New Homes Bonus (NHB) in the past but this is reducing and is assumed to dry up from 2023/24 onwards.
- WDC appears to be more exposed to business rate loss, but SDC had factored in a fall in the previous year, and also assume a benefit of £950k per annum from 2022/23 as an outcome of the Spending Review and Government reform.

SDC have used NHB funding to balance their bottom line and so are more exposed to its reduction. Their presentation and assumptions exposes a stronger annual gap to be balanced than appears in the WDC figures, but both are fairly typical among similar district councils.
The Covid-19 pandemic has exposed how reliant both councils, especially SDC, are on fees and charges income such as car parking – they both face the uncertainty of when and whether patterns of usage will return and with them former income streams. Tourism and retail, and the income streams they drive, are particular risks to both, with SDC more exposed to tourism and WDC to retail.

Possibly more significantly is the impact of Government reform to the Local Government Finance system from 2022/23. Both councils are potentially at risk from a business rate reset, from a review of the Fair Funding formula and are exposed to loss of NHB. A really key issue is the level of transitional relief that the Government injects to soft land the impact of reforms, as well as the Comprehensive Spending Review, expected later this year. If, for example the loss of NHB is included in the calculation, the loss of funding will be more gradual.

There is an urgent need to create a "shadow" MTFS for the new merged council, based on a common set of assumptions and a single presentation. This will help improve understanding, focus on the need for savings, and create a new narrative for the problem based on a single view.

4. General Fund Revenue Reserves

In the light of the resource position outlined in section 3 above, it is not surprising that the reserve position in both councils is under pressure going forward.

Table 3

General Fund and Earmarked Balances £000s	2019/20	2020/21	2021/22	2022/23	2023/24
SDC General fund reserve at year end	8,870	5,296	7,518	6,102	3,966
SDC Earmarked GF resreves at year end	5,788	6,333	3,978	3,978	3,978
TOTAL	14,658	11,629	11,496	10,080	7,944
WDC General fund reserve at year end	3,118	1,500	1,500	1,500	1,500
WDC Earmarked GF resreves at year end	18,806	16,964	9,912	9,244	10,011
TOTAL	21,924	18,464	11,412	10,744	11,511

In SDC the General Fund reserve falls over the plan period, ending at £3.966m or 25% of predicted net budgeted spend in 2023/24. It should be noted that these balances are being used to fund the remaining gaps in the annual budget as shown in Table 2 above (so £0.966m in 2024/25, and a further £0.279m in 2025/26). The SDC general fund balance is therefore reducing over time towards its minimum agreed level of £2.5m.

In WDC the fall stems at 2020/21 and is maintained at £1.5m or 10% of predicted 2023/24 spend. Over the same period, WDC's earmarked reserves also fall.

Neither council is left in a worrying position on reserves in the short term, but these reductions are a concern to both, especially given that they will both be struggling to balance budgets over the period, and huge uncertainties remain, from Government reform and the legacy of the pandemic.

In a merger situation, both councils are left at risk from falling reserve levels in the other, with the greater risk to WDC.

5. Pensions

Both councils have similar sized pension fund deficits at c£40m. The pension deficit in SDC is a large proportion of its net worth, much larger than for WDC. Its annual deficit repayments at £494k are significantly larger than for WDC at £184k. The merged council would merge these deficits and the deficit repayments across the new council. In effect WDC would be picking up part of the SDC deficit, and the balance sheet of the merged council would reduce SDC's exposure to pension deficits and increase WDC's.

6. Savings Programmes

As discussed above, both councils have existing savings programmes built into their MTFS, and have factored in savings from any possible merger to a different degree. Current savings proposals for SDC and WDC are included as appendices three and four respectively, and are summarised in table 4 below:

Table 4:

Comparison of Savings Proposals built into the MTFS					
£000s	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Stratford DC	284	792	1,338	1,800	2,050
Warwick DC	3,592	5,609	6,701	6,731	7,011
Savings as a % of 2020/21 basse budget					
Stratford DC	1.6%	4.6%	7.7%	10.4%	11.8%
Warwick DC	20.6%	32.2%	38.4%	38.6%	40.2%

It is clear that WDC has included a greater amount of savings than SDC – though it should be noted that the figure of £3.592m in 2021/22 is partly funded by a £500k underspend in 2020/21 carried forward.

WDC have incorporated more of the potential savings from a merger, and more of its savings are at a level of planning and intent rather than delivery, whereas the SDC figures tend to be lower but more grounded in detail.

This is a difference of presentation and both of these approaches are common across the sector. Table 4 needs to be compared to table 2 above, which shows the MTFS positions. The WDC MTFS is balanced across the plan period reflecting the inclusion of planned savings, the SDC MTFS shows gaps across the years but had included only much more certain savings. Taken in the round, the councils are not in such a different position as the MTFS would indicate, although SDC needs to build more savings into its programme in later years – and the merger would of course assist in this regard. WDC has more aggressive savings plan but a greater amount of reserves as a cushion. It needs to focus on delivering these savings.

As with the MTFS, it would be useful to pull together a 'merged' savings plan, and to establish scope for a common approach that might improve the savings position across both councils by harmonising policy – for example on fees and charges, green waste charging, leisure services and commissioning etc.

In a merger each council would be exposed to the risk of non-delivery of savings assumed by the other in the base position. However, this risk is capable of being offset by the scope for the merger to deliver savings directly, in the way already considered, and indirectly by further streamlining of policies and staffing structures in future.

Neither council is operating an MTFS or savings plan that is unusual in scale or scope to similar councils, and neither is exposed to some of the more theoretical savings that some other councils have deployed to their cost.

7. Capital Programme - plans and borrowing

Table 5:

SDC and WDC Capital Programmes					
£000s	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
SDC General Fund Capital Programme	7,976	537	537	537	537
WDC General Fund Capital Programme	16,281	14,531	16,332	1,339	154

As shown in table 5 above the two councils have a very different Capital Programme, with WDC in particular running large programmes in the period running up to and just after the proposed merger. It is likely that spend will be contractually committed and irreversible by the time of the merger.

This exposes SDC to the risks of WDC overspending o projects, and to the impact of financing this programme, which will be a mixture of capital receipts, reserves and new borrowing.

WDC's Treasury Strategy illustrates the plans to go significantly beyond the spend in its approved programme.

Table 6: WDC Capital Financing Requirement (CFR) = Need to borrow

£m	2019/20 Outturn	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement					
CFR – non housing	14.8	18.8	22.6	42.2	47.6
CFR – housing	136.2	159.0	180.5	180.5	180.5
CFR - Commercial activities/ non-financial investments	5.5	70.0	73.1	76.1	74.5
Total CFR	**156.4**	**247.8**	**276.3**	**298.9**	**302.6**
Movement in CFR	1.4	91.3	28.5	22.6	3.8

The increase in WDC's CFR from £5.5m in 2019/20 to £70m+ in subsequent years reflects the implementation of its capital spending on housing and other activities e.g. its housing policies.

Table 6 shows the growing need for WDC to borrow to meet its capital plans. The two rows shaded yellow are the relevant ones to consider as the housing borrowing will be serviced by the HRA. The two yellow lines show WDC's external borrowing is estimated to be £122.1m by 2023/24.

New schemes include a refurbishment of leisure centres, and the commercial activities, which involve loans to a new Local Housing Company and to a Joint Venture (JV) in which it is involved. Although badged separately, in effect any problem with the servicing of this debt would hit the WDC General Fund and therefore the General Fund of the new merged council. This means that the risk currently being incurred by Warwick will fall across WDC and SDC in future. These plans have of course been subject to detailed external professional advice and due diligence, although it is beyond the scope of this report to review that. Such a review should be undertaken by SDC prior to any merger.

In contrast the SDC Treasury Management Strategy does continue to predict the council will be debt free, although permissions are in place to borrow up to £20m should the need arise.

Both councils are looking to join a Joint Venture with a number of other councils to create a Mixed Recycling Facility based in Coventry. This will require capital spend and borrowing, but as both councils are involved they are sighted on the risks and returns.

8. Potential financial liabilities

Both monitoring officers were interviewed to identify any exposure to legal or contractual claims that could have a significant impact on the financial position. The only issue that emerged is in relation to the winding up of a JV between WDC and a third party that had intended to relocate its current offices to a development at Covent Garden, Leamington. This project has stalled and the JV needs to be wound down. A settlement capping WDC's liability at an acceptable level has now been agreed.

Both councils have potential financial issues arising from the need for a major overhaul to concrete multi storey car parks. The car parks concerned are Covent Garden and Linen Street in WDC and Windsor Street in SDC. In practice it would make sense to look at regeneration options on each of these sites, rather than expending significant sums to repair car parks which may not be needed in their current form and/or could be re-provided as part of a redevelopment. Overall, these represent potential opportunities as much as threats.

No other major issues were identified from either council, including any major insurance, contractual or employment tribunal claims.

9. Procurement Issues

Procurement officers in both authorities were interviewed to highlight any key risks or issues. While nothing major emerged, it is clear that procurement policy and practice is significantly better developed in WDC than SDC. There is clear scope to use the merger to spread better practice across the new merged council and use procurement to promote strategic priorities. The procurement officers are already working closely together and building on this can only be of benefit, by harnessing the combined purchasing power, establishing contracts that can be use by both (and other) authorities and ensuring compliance with procedures. These benefits should drive further savings, many of which can be accessed with or without the merger.

10. CIPFA Resilience Index

CIPFA produce an annual Resilience Index which looks at the risks facing councils across a number of headings. Such indices are limited, because of weaknesses in the data, the fact they are based on the past not the future, and because councils vary so much in how they manage and present their finances.

Despite this it is worth summarising the latest 2021 Index for WDC and SDC, using its comparison to other English districts using 2019/20 data.

In the Index report, the vertical lines on the bar chart show the relative risk in the council on a ranged of indicators. The closer the line to the left hand edge of the graph, the higher the risk in that council.

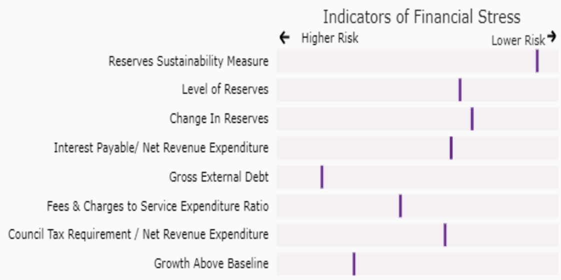
Warwick DC.

Resilience Index 2021

CIPFA Financial Resilience Index

Tier: Lower | Authority: Warwick | Comparator Group: Non Metropolitan Dis... | Year: 2019-20

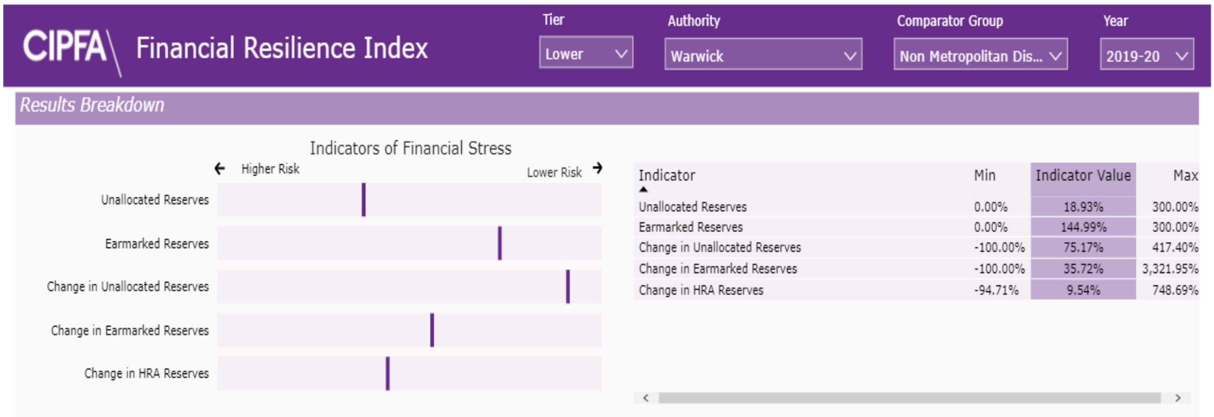
Results Breakdown



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	0.00	100.00	100.00
Level of Reserves	0.00%	163.92%	300.00%
Change In Reserves	-100.00%	39.34%	404.33%
Interest Payable/ Net Revenue Expenditure	-935.27%	0.83%	311.45%
Gross External Debt	£0k	£148,187k	£1,405,077k
Fees & Charges to Service Expenditure Ratio	1.58%	22.41%	80.66%
Council Tax Requirement / Net Revenue Expenditure	35.06%	73.61%	100.00%
Growth Above Baseline	-129.00%	95.00%	287.00%

Auditors VfM Assessment
Unqualified

Resilience Index 2021



Indicator	Min	Indicator Value	Max
Unallocated Reserves	0.00%	18.93%	300.00%
Earmarked Reserves	0.00%	144.99%	300.00%
Change in Unallocated Reserves	-100.00%	75.17%	417.40%
Change in Earmarked Reserves	-100.00%	35.72%	3,321.95%
Change in HRA Reserves	-94.71%	9.54%	748.69%

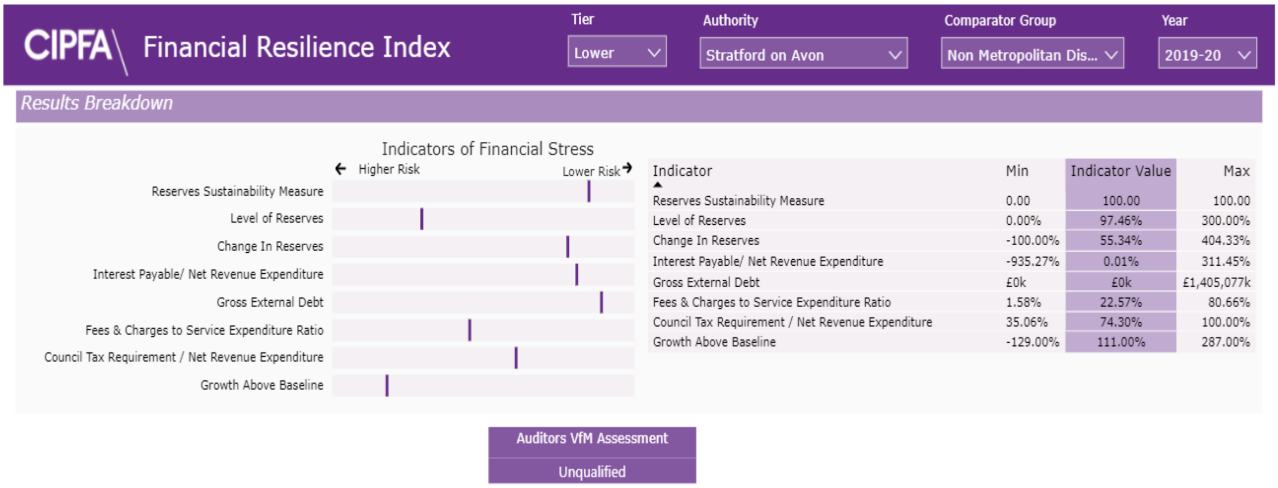
The results above are for WDC. It can be seen that none of its scores are very high risk (i.e. very close to the left hand side). It has high risk on gross external debt, but not to a level that causes concern, given the number of debt free district councils.

The other slightly high risk is Growth Above Baseline which reflects the exposure to the council of a Business Rate reset, because it has kept and built in growth since the original baseline in 2013.

Stratford DC

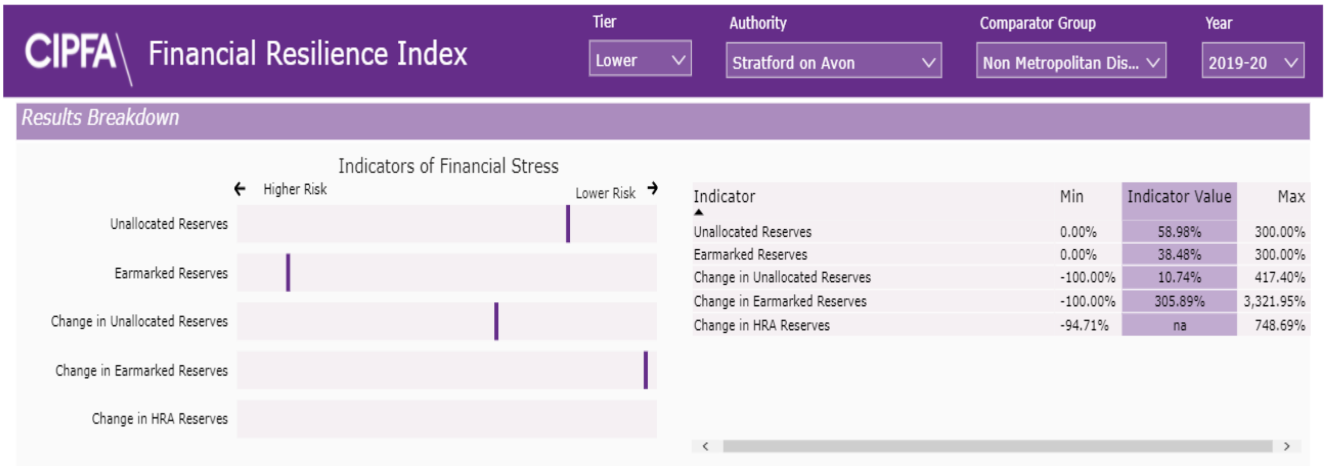
The results for SDC are below:

Resilience Index 2021



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	0.00	100.00	100.00
Level of Reserves	0.00%	97.46%	300.00%
Change In Reserves	-100.00%	55.34%	404.33%
Interest Payable/ Net Revenue Expenditure	-935.27%	0.01%	311.45%
Gross External Debt	£0k	£0k	£1,405,077k
Fees & Charges to Service Expenditure Ratio	1.58%	22.57%	80.66%
Council Tax Requirement / Net Revenue Expenditure	35.06%	74.30%	100.00%
Growth Above Baseline	-129.00%	111.00%	287.00%

Resilience Index 2021



Indicator	Min	Indicator Value	Max
Unallocated Reserves	0.00%	58.98%	300.00%
Earmarked Reserves	0.00%	38.48%	300.00%
Change in Unallocated Reserves	-100.00%	10.74%	417.40%
Change in Earmarked Reserves	-100.00%	305.89%	3,321.95%
Change in HRA Reserves	-94.71%	na	748.69%

The risks flagged for SDC are low levels of reserves and to a lesser degree growth above baseline funding and exposure to fees and charges income.

There are no really high risks flagged for either council, and the issues raised in the CIPFA analysis broadly accord with the conclusions reached independently in this report.

11. <u>External Audit reports for 2019/20</u>

The councils have different External Auditors, SDC has Ernst Young and WDC Grant Thornton.

I have reviewed the latest audits available - for the year 2019/20.

Overall WDC receives an unqualified audit report:

> *Based on the work completed we have concluded that the Council has adequate arrangements in place to deliver financial sustainability.*

There is also a positive Value for Money judgement but with the following residual risk flagged:

> *Given the in-year challenges and those anticipated looking forward we have identified a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.*

There is an emphasis of matter based on uncertainty to property and pension fund valuations arising from the pandemic – such issues will appear in many council audits.

SDC also received an unqualified opinion and a positive value for money judgement, with the auditors also raising issues about future financial challenges and valuation issues arising from Covid-19.

12. Comparison of Strategic Risk Registers

Both SDC and WDC prepare strategic risk registers, but like MTFS's these are notoriously difficult to compare between councils because of variations in presentation, risk appetite and judgements about level and impact of risks.

As an example, although both councils use a matrix of likelihood vs impact to measure risk, SDC use a 4 x 4 approach (so likelihood multiplied by impact gives a score of up to 16), and WDC a 5 x 5 approach (so scores out of 25).

Appendix 2 compares the strategic risks identified by the two councils. The risk score is shown as a percentage to standardise the scoring, and those risks scored red by the councils are in red text for ease of reference.

SDC has four red rated risks, with Financial Sustainability at 100% - by far its major risk. WDC has only one red rated risk which is its ability to deliver on its climate change agenda. None of its financial risks, including savings delivery score above 50%.

While this comparison is inevitably crude and flawed, it does suggest that SDC's own perception places financial risks significantly higher than does WDC's self-perception.

As with the MTFS, it is suggested that a risk register for the new merged council be produced as soon as possible to inform the process, and to conder how it will address the risks currently identified by SDC and WDC.

13. Governance

The review did not identify any governance issues in relation to finance that should present a problem to the proposed merger. More generally, the merger will inevitably present governance challenges as members and senior officers adjust their thinking and strategies to the new basis.

SDC have already adopted the LGA's Member Code of Conduct and WDC intend to do this - this can only assist in converging the two councils.

14. Conclusions

SDC and WDC are similar councils in many respects. There is a logic in them contemplating merger to achieve economies of scale and better resilience going forward. Nothing has emerged from this exercise to fundamentally challenge that concept.

Councils always have their own specific characteristics and a merger of two exactly identical or equal partners is highly unlikely. Each will bring a variety of strengths and some weaknesses to the table.

Key issues for Warwick District Council:

In summary, merging with SDC exposes Warwick District Council to:

- SDC's lower level of reserves
- SDC's higher exposure to pension deficit

- SDC's delivery of its saving programme, albeit this is lower risk than the WDC savings plan.
- SDC's underdeveloped approach to procurement management.
- Counterbalancing this is the fact that SDC is debt free and going forward will incur low levels of debt, and exposure to debt repayments.
- A merger would also give SDC access to an HRA and a wider variety of housing solutions than it currently has, without impact on its General Fund.

Key issues for Stratford District Council:

- Merging with WDC would expose SDC to the risks arising from WDC's more extensive planned capital programme and levels of debt, particularly as it enters the field of more commercial investments via its housing strategies.
- SDC would be exposed to delivery on WDC's more aggressive incorporation of savings plans into its MTFS.
- A merger would also give SDC access to an HRA and a wider variety of housing solutions than it currently has, without impact on its General Fund.

These issues do not outweigh the benefits flagged by Deloitte of exploring a merger. The key blockages to a merger are less likely to be financial (other than the Council Tax convergence) and more likely to be related to overcoming cultural and behavioural barriers from members and officers who do not buy-in to the concept of merger, or have serious concerns.

15. Recommendations

15.1 The two councils should produce a merged "shadow" MTFS as soon as possible for the new merged council, to get a clearer view of how resilience will be created compared to the current position.

15.2 The councils should produce a "shadow" merged risk register for the proposed new council, that draws on the existing risk registers and focuses agreement and action on the matters that will need to be dealt with going forward.

15.3 The councils should produce a shadow merged savings plan, so that policies, ideas and approaches can be put on a common basis and maximum savings potential delivered.

APPENDIX ONE

Stratford-on-Avon DC and Warwick DC

Financial Disclosure review

Contents

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1. Introduction and context

The LGA has been asked to support Stratford-on-Avon DC and Warwick DC by providing independent financial analysis and assurance as part of their planned steps towards exploring a merger of the authorities.

The leaders of both councils have previously expressed an interest in the districts working together and in June 2020 issued a joint statement outlining their commitment to this. Since then the councils have embarked on a programme which has so far:

- Created 5 joint heads of service, and will agree a proposal for a further 6 meaning the whole management team will be shared across the councils;
- will jointly re-procure the next refuse contract;
- and develop a Local Plan covering South Warwickshire which will produce financial savings and guide future development across both districts.

Deloitte have been commissioned twice to produce reports looking at governance issues which impact on both districts. The initial report in 2020 looked at a two unitary council model for Warwickshire, recommending North Warwickshire (Rugby, North Warwickshire and Nuneaton & Bedworth) and South Warwickshire (Warwick and Stratford-on-Avon). The second report examined the business case for bringing the two South Warwickshire districts together horizontally – in a similar way to Somerset West and Taunton Council.

Covid-19 has had an impact on both districts and in 20/21 Stratford estimates the financial impact to be a shortfall of £2.5m after all grants (25% of net budget) and in the medium term projects an impact of £7.5m. Warwick have different financial issues but estimate a deficit of around £1m per year. The councils jointly require £4m of recurring savings to be viable in the longer term. The second Deloitte report outlined how merging the districts would lead to: shared service gains; governance savings; and a single set of accounts and policies. Recently, the proposal to look at this merger in more detail was agreed.

To support the potential merger the councils have asked the LGA to undertake an exercise of financial assurance. This will enable the councils to improve understanding of their separate financial exposure and any risks from a future merger. It will also assist elected members to gain assurance in an open and transparent way about any risks or liabilities which need to be managed. It will clearly aid the discussions of bringing the two authorities together. The exercise will be completed ahead of any formal submission to Government, alongside consultation and the development of a business case.

2. Outcomes

This review will provide clear, independent guidance and assurance to both sets of elected members, highlighting any aspects which may need to be managed ahead of the proposed merger.

3. Method

This work is being delivered virtually through the LGA and led by Chris West as a Finance Improvement and Sustainability Associate (FISA).

A range of background information will be reviewed alongside discussions with officers of both councils prior to a report and feedback being provided to members. The LGA will ask the councils to make relevant documents available and MS Teams will be used to hold discussions with key individuals at both councils.

Further to the agreement of this project scope, following discussion at joint Cabinet and Executive on 15th March, and confirmation from the Chief Executives that the LGA may approach colleagues about this review, the LGA will undertake next steps, as below:

Early April

Relevant background reading made available to the LGA. This will include financial papers such as: budget monitoring statements, statement of accounts, MTFP, audit reports, pension fund valuation, contracts and outstanding major legal cases.

The LGA will organise MS Teams discussions with key individuals to take place during April. This will include but not necessarily be limited to:

- Monitoring Officers - to establish any relevant outstanding legal cases or other governance issues.
- s151 Officer - to understand how the budgets are built, reliance on New Homes Bonus and other grants, council tax levels, tax base. The councils now have a single s151 Officer but Stratford's interim s151 is in post until the end of March so will be engaged as part of this process.
- Procurement Officers – to review contractual commitments and any outstanding legal issues.

End of April

Discussion with Chief Executives, towards the end of April to review emerging findings.

A written report will be produced which details the findings. This will be drafted for a councillor audience and it is anticipated that it will be published as part of the merger process. This report will include:

- The findings from the Financial Disclosure exercise, highlighting outstanding issues and financial risks. Including a high level summary of each council's budget, spending commitments, savings targets, short and long term commitments and the implications of council tax harmonisation.

- The findings from the financial governance element of this review, including management of governance processes, audit committee and risk registers.

Tbc – May onwards

Following the completion of the report, member briefing sessions for Stratford and Warwick district councillors will provide an opportunity for further discussion of the findings.

4. Next steps

If the councils are happy with this proposal the review can commence in early April and with a written report available by the end of April /early May 2021.

APPENDIX TWO

Comparison of Residual Risks in Strategic Risk Registers

Residual risk expressed as a percentage to standardise approach

Stratford identified Risk	%	Warwick Identified Risk	%
Financial Sustainability	**100**	Fit for the Future Change Programme not managed appropriately/effectively	**48**
Demand on the welfare system combined with planned reductions/budget pressures in social care, health and community safety provision by other agencies impact on the most vulnerable members of the Community.	**56**	Risk of sustained service quality reduction	**48**
Unable to optimise economic growth in the District	**75**	Risk of major contractor going into administration or deciding to withdraw from the contract.	**40**
Inability to progress the Core Strategy review and future updates which meet statutory targets and assessed infrastructure needs, including affordable housing.	**75**	Risk of corporate governance arrangements not maintained effectively	**25**
Safeguarding Children and Vulnerable Adults - inability to take action to avoid abuse, injury or death.	**50**	Risk of staff not developed effectively	**48**
Inability to respond to an Emergency facing our communities	**50**	Risk of insufficient finance to enable the council to meet its objectives (including insufficient reduction in operational costs).	**48**
Inability to maintain services following an event	**38**	Risk of additional financial liabilities.	**48**
Failure to meet the Health & Wellbeing needs of residents	**56**	Risk of not obtaining potential income sources.	**48**
Gaps in statutory compliance and/or operational weaknesses in Information Governance	**25**	Risk of improper procurement practices and legislative requirements not being complied with	**36**
Delays fully implementing a new Land Charges system and implementing required changes	**75**	Risk of partnerships not delivering stated objectives	**32**
EUEXIT – managing uncertainty about impact and outcomes	**50**	Risk of not complying with key legislation or legal requirements, including failure to protect data.	**32**
Covid response & recovery	**75**	Risk of ineffective utilisation of information and communications technology.	**24**
Local Government Reorganisation	**56**	Risk of failure to protect information assets from malicious cyber-attack.	**48**

Stratford identified Risk		**Warwick Identified Risk**	
		Risk of a major incident not responded to effectively.	**40**
		Failure to meet District's ambition to be carbon neutral within specified timeframes	**80**

APPENDIX THREE

Stratford DC Savings Programme as built into budget

Schedule of Proposed Growth/Savings	2021/22 Base Budget £	2022/23 Base Budget £	2023/24 Base Budget £	2024/25 Base Budget £	2025/26 Base Budget £
Chief Executive					
End staff contractual legacy rights	32	53	65	77	77
Shared Services with WDC: Work commissioned from Deloittes	0	150	400	750	1,000
Total Chief Executive	**32**	**203**	**465**	**827**	**1,077**
Deputy Chief Executive					
Economic Development - deletion of vacant post	22	22	22	22	22
Total Deputy Chief Executive	**22**	**22**	**22**	**22**	**22**
Head of Community and Operational Services					
Car Parks - charging in district car parks	230	330	330	330	330
Visitor Information Centre	0	0	88	88	88
Shopmobility - Close scheme or transfer to charity/trust/BID/Tow	0	42	42	42	42
Cease operations at Venture House	0	0	41	41	41
Total Head of Community and Operational Services	**230**	**372**	**501**	**501**	**501**
Head of Customer Services					
Closure of Elizabeth House Reception	0	120	275	275	275
Total Head of Customer Services	**0**	**120**	**275**	**275**	**275**
Head of Law and Governance					
None	0	0	0	0	0
Total Governance and Democracy	**0**	**0**	**0**	**0**	**0**
Head of Resources and Transformation					
None	0	0	0	0	0
Total Head of Resources	**0**	**0**	**0**	**0**	**0**
Head of Regulatory Services					
Cease funding the Social Transport Fund	0	0	0	100	100
Planning Enforcement - enforce on live developments only	0	75	75	75	75
Total Planning and Housing Services	**0**	**75**	**75**	**175**	**175**
Total Proposed Amendments to Budget	**284**	**792**	**1,338**	**1,800**	**2,050**

APPENDIX FOUR

Warwick DC Savings Programme as built into budget

Service	Service Area & Initiative	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
CE	Review member civic support arrangements.	50				
CE	Review Corporate Support Team arrangements.	30				
CE	Review Management Information collection and publication arrangements in context of closer working with SDC.		30			
HCP	Review Pest Control Service.	25	25			
HCP	Review Health & Community Protection team arrangements.	60				
HCP	Remove community forum grants	27				
FI	Review customer service frontline arrangements.	125				
FI	Remove procurement support from WCC	20				
CS	Review of Sports and Leisure team arrangements.	60				
CS	Explore options for commercial letting of sports pitches and track		15			
AS	Review Asset Team operational arrangements	40				
HS	Fund specific Housing posts from Flexible Homeless Support Grant	88	-88			
NS	Review Neighbourhood Services team structures	54				
NS	Review of Ranger service	27				
NS	Make payments at car parks cashless	30	25			
NS	Introduce charges for Newbold Comyn car park	25	25			
NS	Additional saving from Contract lots 2 and 3	300				
DS	Increase take from CIL Admin Fund	8				
DS	Host new commercial events on WDC land	30				
HCP	Civica APP replacement (part of digital transformation savings)	250	250			
HCP	Voluntary/Community Sector Commissioning cost paid differently	300				
FI	Pay for RUCIS differently	150				
MISC	WDC/SDC CMT/SMT Change and Amalgamation	250	110	275		
MISC	WDC/SDC Other service integration	140	420	280	280	280
MISC	In-year underspend	500				
MISC	Hotel lease at Europa Way		110			
MISC	HQ Saving		250	225		
MISC	Fees and Charges at circa 15%	503	245	262		
MISC	KLC borrowing cost funded in 21/22 and 22/23 from another source.	500		-250	-250	
MISC	Introduce Green Waste Charges		600	300		
	TOTAL	**3,592**	**2,017**	**1,092**	**30**	**280**
	Cumulative	**3,592**	**5,609**	**6,701**	**6,731**	**7,011**