

SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 26 July 2018

PRESENT: Councillors Josie Paszek (Chair), Simon Clement-Jones (Deputy Chair), Dianne Hurst, Alan Law, Pat Midgley, Mohammed Mahroof and Martin Phipps

Co-Opted Member
Liz Stanley

Representing KPMG
Tim Cutler

Council Officers
Eugene Walker, Executive Director, Resources
Gillian Duckworth, Director of Legal and Governance
Dave Phillips, Head of Strategic Finance
Kayleigh Inman, Senior Finance Manager, Internal Audit
Ruth Matheson, Finance Manager
Richard Garrad, Corporate Risk Manager
Tim Sharp, Risk Advisor

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Lynda Hinxman.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

3.1 The minutes of the meeting of the Committee held on 14 June 2018 were approved as a correct record.

4. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

4.1 Tim Cutler, KPMG, submitted a report from the external auditors summarising the key findings in relation to KPMG's 2017-18 external audit at Sheffield City Council.

4.2 He reported on a number of significant risks including valuation of property equipment, valuation of pension liabilities, faster close and inverse LOBO (Lender Option Borrower Option) accounting. However, the external auditors were satisfied with the City Council's responses to these risks and therefore KPMG had concluded that they would be able to sign an unqualified financial statements opinion. KPMG also anticipated issuing an unqualified value for money opinion.

4.3 Responding to a question from the Chair regarding whether the Council was

setting reasonable budgets across its services, Tim Cutler stated that external auditors had to look at the arrangements that an authority had in place to set budgets and monitor financial performance. An audit would also look at how the Authority would forecast and cope with demand pressure from outside whilst accepting it was not always within their control. It would also compare this with other local authorities. The Council was doing what it could but there would always be pressures from outside which would impact on this.

- 4.4 A Member of the Committee then enquired about budget setting within the People Services portfolio and corporately as there had been a significant overspend in the People Services portfolio which had been offset by an underspend in the corporate budget. Dave Phillips, Head of Strategic Finance, commented that there were significant pressures on the People Services portfolio caused by social care pressures. Carers tend to be lower paid and the Council had looked to address this in respect of the minimum wage. However, this had caused cost pressures to the portfolio's budget.
- 4.5 Dave Phillips added that there was agreement across all sides that the Council's approach to trying to reduce costs in social care was the right approach. Early intervention was now the focus. There had been improvements in Delayed Transfers of Care (DTCOC's). However, this moved the costs from the NHS to the Council and the budget did not necessarily move to the Council. Baseline budgets for social care had increased and the issues were common across all social care authorities across the country.
- 4.6 Eugene Walker, Executive Director, Resources, added that the Council tried to set as realistic a budget as possible. However, the Council was very reliant on the NHS. The Council had improvement plans in place regarding social care and 90% of the savings under the Council's control were being made. There was not enough join up of the health and social care system and half of the cost pressures were health related. There was a need to get quality interventions in place and keep a level of financial sustainability.
- 4.7 **RESOLVED:** That the Committee notes the report now submitted.

5. STATEMENT OF ACCOUNTS

- 5.1 The Head of Strategic Finance submitted a report communicating to Members any relevant matters arising from the external audit of the 2017/18 Statement of Accounts.
- 5.2 Ruth Matheson, Finance Manager, reported that the Council had met the statutory deadline for submitting its draft statement of accounts, which had been brought forward from last year. Training had been provided for Members in considering the Statement of Accounts. The accounts had been audited and minor presentational changes had been made as a result. She was therefore requesting that the Chair of the Committee and Eugene Walker (as the Section 151 Officer) sign off the accounts. If the accounts were signed off they would be published on the Council's website by 31 July 2018.

- 5.3 Responding to a question from a Member as to what the Council was doing in respect of its loss making trading arms, Dave Phillips commented that there were two areas where the Council was making deficits, namely markets and transport. The Council was keen that the City had a thriving market. Although the footfall on The Moor Market had been initially disappointing, this was increasing and the aim was to get this in balance. Detailed questions on transport trading services were a matter on which service management would be better placed to respond.
- 5.4 In respect of a question from a Member regarding pooled budgets with the NHS, Eugene Walker stated that budgets were aligned where possible with the NHS. The only pooled budgets were in respect of Community Equipment and Mental Health and positive discussions had been held with the Health and Social Care Trust in respect of Mental Health. The issue with the health system in the City was that it was focussed on the Teaching Hospital's Trust. Until a three-way risk share was achieved, the City Council would continue to be towards the bottom of the pile in respect of achieving savings.
- 5.5 Following a question from a Member, Dave Phillips reported that, although the Council had not done a recent analysis, previous research had shown that the Council was largely comparable with other authorities in respect of salaries of £50k or more. The Council had significantly reduced its Directors posts over the past 8 years and was not historically a high payer. However, an analysis could be undertaken to assess if this was still the case.
- 5.6 A Member of the Committee then asked if the Council was confident of returning to un-earmarked General Fund (GF) reserves that were 3% of the Council's net revenue budget which was the assessed minimum requirement. Dave Phillips commented that there had been a £2m overspend in social care in 2017/18 and the Council had used the GF reserve to meet this overspend as it had done in 2016/17, when New Homes Bonus was used in 2016/17 to replenish the GF reserve. The Council was committed to replenishing its GF reserve to the level of 3% as required during 2018/19, and a review of the most suitable source of funds to do this will be undertaken.
- 5.7 Responding to a question from a Member, Eugene Walker commented that future funding from Government was a major uncertainty. However, the Council was confident that there would be a £15.5m reduction in Revenue Support Grant in 2018/19. More generally there would be a Fair Funding Review undertaken nationally in 2020 to look at the allocation process.
- 5.8 In terms of governance issues, by bringing IT controls in-house or commissioning them, it was hoped that they would be strengthened. Issues relating to bank reconciliation were caused by short-term resourcing pressures on implementing the new general ledger system, and were not longer-term governance issues, as reconciliations were now back up to date.
- 5.9 Responding to a question from a Member regarding commitments to external leases, Ruth Matheson reported that she would collate that information and circulate it to Members.

5.10 **RESOLVED:** That the Committee:-

- (a) accepts the report to those charged with Governance (ISA 260) 2017/18;
- (b) approves the Statement of Accounts for 2017/18 and authorises the Chair of the Audit and Standards Committee to conclude the audit by signing the Letter of Management Representations and the Statement of Accounts for 2017/18; and
- (c) thanks Officers for all their hard work for completing the Statement of Accounts and submitting the draft Statement of Accounts within the required timescale.

6. **ANNUAL GOVERNANCE STATEMENT**

6.1 The Director of Legal and Governance submitted a report providing the Annual Governance Statement for 2017/18 which formed part of the Council's Statutory Accounts.

6.2 **RESOLVED:** That the Committee notes the contents of the Statement and that this had been signed by the Council Leader, Chief Executive and the Executive Director, Resources and that the statement formed part of the Annual Accounts.

7. **PROGRESS ON HIGH OPINION REPORTS**

7.1 The Senior Finance Manager (Internal Audit) submitted a report presenting and communicating to Members of the Committee progress made against recommendations in audit reports that had been given a high opinion.

7.2 Kayleigh Inman, Senior Finance Manager (Internal Audit) reported that dummy data would be set up to replace the live data which had previously been used in the Housing Management System training. The Council's Executive Management Team (EMT) had noted the ongoing activity but requested progress be made in implementing the recommendations and she would flag up to EMT where progress had not been made.

7.3 In response to a question from a Member, Kayleigh Inman reported that a number of reviews had been undertaken in respect of for parking services, and the review in the report focussed on cash collection. Internal Audit was now satisfied that actions had been completed and followed up.

7.4 In respect of market leases, Kayleigh Inman commented that the service were working towards clearing off traders' arrears which should contribute to the market becoming more profitable and once a trader's arrears had been cleared Service Manager would then issue longer term leases.

7.5 **RESOLVED:** That the Committee:-

- (a) notes the report now submitted; and

(b) agrees to the removal of the following reports from the tracker:

- Payroll Pension Arrangements
- Parking Services Cash Income Collection Contract
- The Markets Service
- Social Care Accounts Service (SCAS) – Residential and Nursing Agreements
- Safeguarding Administration and Guidance
- Payment Card Industry DSS Compliance

8. UPDATE ON STANDARDS COMPLAINTS

8.1 The Director of Legal and Governance submitted a report providing a summary of complaints considered under the Procedure for Dealing with Standards Complaints so far in 2018.

8.2 **RESOLVED:** That the Committee notes the contents of the report now submitted.

9. EXCLUSION OF THE PRESS AND PUBLIC

9.1 **RESOLVED:** That the public and press be excluded from the meeting before discussion takes place on the following item of business (Strategic Risk Management) on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

10. STRATEGIC RISK MANAGEMENT

10.1 The Corporate Risk Manager introduced a report and gave a presentation providing an assessment of the Council's current Risk Management arrangements and the measures implemented to further strengthen and improve them and the current and emerging risks, their impact on service delivery and the controls in place to manage them.

10.2 The report and presentation covered the period from January to May 2018. The Corporate Risk Manager, Director of Finance, Director of Legal and Governance and Executive Director, Resources responded to questions from Members of the Committee in relation to the City Council's Budget Position, viability of schools, Universal Credit, Information Technology and Special Educational Needs Learners.

10.3 **RESOLVED:** That the Committee:-

- (a) notes the current assessment of the Council's Risk Management arrangements and endorses the measures being taken to strengthen those arrangements;
- (b) notes the improving trends in management of risks;
- (c) notes the current and emerging risks and endorses the actions being taken to

mitigate those risks; and

- (d) requests that the Overview and Scrutiny Management Committee gives consideration to the inclusion of an item on the roll out of Universal Credit in its work programme early in 2019.

(At this point in the proceedings, the meeting was reopened to the public and press.)

11. WORK PROGRAMME

- 11.1 The Director of Legal and Governance submitted a report providing details of an outline work programme for the Committee for the period September 2018 – July 2019.
- 11.2 **RESOLVED:** That the Committee's work programme for the period September 2018 – July 2019 be approved subject to the inclusion of an additional item on Universal Credit at the meeting to be held in January 2019.

12. DATES OF FUTURE MEETINGS

- 12.1 It was noted that meetings of the Committee would be held at 5.00 p.m. on:-
- 20 September 2018
 - 15 November 2018
 - 20 December 2018 (additional meeting if required)
 - 24 January 2019
 - 21 February 2019 (additional meeting if required)
 - 21 March 2019 (additional meeting if required)
 - 18 April 2019
 - 13 June 2019
 - 25 July 2019