

Audit and Standards Committee

Thursday 23 January 2020 at 5.00 pm

**To be held at the Town Hall, Pinstone
Street, Sheffield, S1 2HH**

The Press and Public are Welcome to Attend

Membership

Councillors Sioned-Mair Richards (Chair), Simon Clement-Jones (Deputy Chair),
Angela Argenzio, Adam Hurst, Mohammed Mahroof, Pat Midgley and Josie Paszek.

Independent Co-opted Members

Liz Stanley.

PUBLIC ACCESS TO THE MEETING

The Audit and Standards Committee oversees and assesses the Council's risk management, control and corporate governance arrangements and advises the Council on the adequacy and effectiveness of these arrangements. The Committee has delegated powers to approve the Council's Statement of Accounts and consider the Annual Letter from the External Auditor.

The Committee is also responsible for promoting high standards of conduct by Councillors and co-opted members.

A copy of the agenda and reports is available on the Council's website at <http://democracy.sheffield.gov.uk>. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information.

Recording is allowed at meetings of the Committee under the direction of the Chair of the meeting. Please see the website or contact Democratic Services for details of the Council's protocol on audio/visual recording and photography at council meetings.

If you require any further information please contact Abby Brownsword in Democratic Services on 0114 273 5033 or email abby.brownsword@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

AUDIT AND STANDARDS COMMITTEE AGENDA

23 JANUARY 2020

Order of Business

1. **Welcome and Housekeeping Arrangements**
2. **Apologies for Absence**
3. **Exclusion of the Press and Public**
To identify items where resolutions may be moved to exclude the press and public.
4. **Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting.
5. **Minutes of Previous Meeting** (Pages 5 - 10)
To approve the minutes of the meeting of the Committee held on 19th December 2019.
6. **ICT Software and Hardware Asset Management** (Pages 11 - 16)
Report of the Assistant Director - ICT Service Delivery
7. **Universal Credit** (Pages 17 - 34)
Report of the Head of Commercial Business Development.
8. **PFI Objection** (Pages 35 - 38)
Report of the Head of Strategic Finance
9. **Annual Audit Letter 2018/19** (Pages 39 - 64)
Report of the Council's External Auditor (Ernst and Young)
10. **Progress on High Opinion Audit Reports** (Pages 65 - 80)
Report of the Senior Finance Manager.
11. **Strategic Risk Management** (Pages 81 - 112)
Report of the Executive Director – Resources.
12. **Work Programme** (Pages 113 - 120)
Report of the Director of Legal and Governance.
13. **Dates of Future Meetings**
To note that meetings of the Committee will be held at 5.00 p.m. on:-

Thursday 20th February 2020

Thursday 19th March 2020 (Additional meeting, if required)
Thursday 16th April 2020
Thursday 11th June 2020
Thursday 30th July 2020

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest (DPI)** relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

*The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) –
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either -
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or
- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Audit and Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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SHEFFIELD CITY COUNCIL

Audit and Standards Committee

Meeting held 19 December 2019

PRESENT: Councillors Sioned-Mair Richards (Chair), Angela Argenzio, Adam Hurst, Mohammed Mahroof, Pat Midgley and Josie Paszek

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1. APOLOGIES FOR ABSENCE

- 1.1. Apologies for absence were received from Councillor Simon Clement-Jones, Independent Co-Opted Member - Elizabeth Stanley, Independent Person - Jo Cairns and Eugene Walker – Executive Director of Resources.

2. EXCLUSION OF THE PRESS AND PUBLIC

- 2.1 No items were identified where resolutions may be moved to exclude the press and public.

3. DECLARATIONS OF INTEREST

- 3.1 No declarations of interest were made.

4. MINUTES OF PREVIOUS MEETING

- 4.1 **RESOLVED:** That, subject to Liz Stanley being identified as an Independent Co-Opted Member, the minutes of a meeting of the Committee held on 24th October 2019 were approved as a correct record.

5. ANNUAL OMBUDSMAN REPORT UPDATE

- 5.1 Paul Taylor (Head of Customer Services), Ben Marston (Service Delivery Manager) and Alex Westran (Complaints Manager) were in attendance at the meeting to present the report.

- 5.2 Ben Marston informed the Committee that a new Customer Relationship Management (CRM) system was due to go live in March 2020. The system would replace two other systems and a complaints module was being developed which would make it easier to keep track of the status of complaints. It was hoped that the complaints module would go live in June 2020.

- 5.3 Paul Taylor explained that a new classroom course 'Customer Complaints – Effective Handling' had been launched and so far there had been 30 learners over three sessions, with three more sessions booked in the new year. The service had also been in attendance at Executive Management Team to encourage roll out of the process throughout portfolios. This was to encourage Managers to own the process.

- 5.4 Councillor Argenzio asked how staff could be encouraged to attend the training

and whether there was a 'mock up' of the complaints process that Councillors could use to feed back on the process. Ben Marston explained that the training course had been put together with the help of the Learning and Development Team.

- 5.5 Councillor Adam Hurst asked what proportion of ombudsman complaints went direct to the ombudsman without trying the Council's complaints process first, why was the department not meeting it's deadlines, how were lessons learned being publicised and whether a Member of the Committee could attend the training. Paul Taylor felt that it would send a powerful message if a Committee Member attended the training.
- 5.6 Councillor Mohammed Mahroof commented on the struggle that residents had to speak to a person about Council Tax. Paul Taylor reminded Committee that Revenues and Benefits, including Council Tax, was to be insourced from Capita at the beginning of 2020. A new telephony system was to be introduced in February 2020 which, amongst other things, would enable callers to be told roughly how long they may be waiting for their call to be answered. It was hoped that the Council would then be able to address the issue of long telephone wait times.
- 5.7 Gillian Duckworth, Monitoring Officer, advised Committee that the Council was embarking on a digital Acceleration project to try to put more services online which would mean that those who wished to could use online forms etc. which would free up telephones for those who preferred to speak about their issue.
- 5.8 In response to a question from Councillor Josie Paszek, Alex Westran informed Committee that complaints were monitored and tracked. The learning was also tracked to ensure it took place, this included ombudsman complaints. It was quite a cumbersome process at present, but a module had been purchased with the new CRM system which would allow better monitoring and tracking of complaints. Overseeing ombudsman complaints was part of the role and ensure that the necessary changes were made.
- 5.9 The Chair asked whether there would be the possibility of a 'call back' facility within the new telephony system. It was explained that the new system would give the Council this possibility, but resourcing needed to be investigated. Paul Taylor noted that there was a need to ensure sufficient resources were in place and Customer Services was considering the possibility of increased evening and weekend working.
- 5.10 The Chair asked whether the staffing shortage in Housing Repairs, which had resulted in a high level of complaints, had been resolved. Paul Taylor explained that a lot of time had been spent creating a new Target Operating Model to improve the interface with the repairs team.
- 5.11 Councillor Angela Argenzio asked whether agency staff were trained and how weaknesses in the service could be improved. Alex Westran explained that there was nothing to suggest that training of agency staff was an issue. There were now enough resources within the complaints team so use of agency staff was limited.

5.12 Alex Westran informed Committee that online forms would also make it easier for customers to provide feedback. Positive feedback and compliments were good for staff morale and were included within the staff newsletter.

5.13 **RESOLVED:** That the Committee accepts the report on the performance of Ombudsman complaints and notes the issues raised.

6. INFORMATION GOVERNANCE ANNUAL REPORT

6.1 Mark Jones, Senior Information Management Officer, attended the meeting and presented the report.

6.2 The report included the Annual Information Governance Report for 2018/19 and provided a brief update to the key information governance activities carried out since April 2019. Information governance was an umbrella term which included data protection, freedom of information and subject access requests etc.

6.3 So far in 2019/20, the Council had handled 230 Data Protection Subject Access Requests and it was explained that the number of requests had increased and performance had improved and stabilised. 1198 Freedom of Information Act and Environmental Information Regulations requests had been handled and the performance target was being met.

6.4 138 information security incidents had taken place, which was equivalent to 17 per month. This was lower than last year and it should be noted that in an organisation the size of Sheffield City Council, with the number of processes, employees, partner agencies, systems and customers, it was not possible to eliminate incidents. However, appropriate measures were taken to minimise risks when handling information. Staff were encouraged to report incidents as they occurred and to learn from any mistakes. Only three incidents had been referred to the Information Commissioners Office (ICO), all of which were now closed with only minor recommendations.

6.5 62% of staff had now completed the essential learning and a talked course was now on offer which gave an opportunity to ask questions.

6.6 The Council needed to be open and transparent, but sometimes unnecessary information would become a risk. The Council should look at the information that was kept and work towards compliance.

6.7 Councillor Paszek asked whether there had been any breaches that had resulted in identity theft. Mark Jones stated that he was not aware of any identity theft from breaches and there was guidance available for the redaction of documents if needed.

6.8 Councillor Argenzio asked how it could be ensured that staff attended the appropriate training and noted that Councillors also needed training on how to keep data secure and cyber essentials. Mark Jones explained that the training had been formulated with Human Resources Learning and Development and

more details were available on the intranet. There was a need to ensure that the training was right. The ICO had the power to force the Council to be compliant and individuals also had the right to make a claim.

- 6.9 Gillian Duckworth explained that manager compliance was an issue in the Annual Governance Statement and there was a need to ensure that the training was fair and reasonable and the content recent and relevant. A lot of effort was being put into the development of managers within the Council. Openness and transparency, along with document management and engagement with customers was also being worked on.
- 6.10 **RESOLVED:** That the report be noted and an annual report be presented in future.

7. PFI OBJECTION REPORT

- 7.1 Dave Phillips, Head of Strategic Finance, presented a report which summarised the findings of the Council's previous external auditor's, KPMG, review of an objection to the 2016/17 accounts, into the Council's Private Finance Initiative (PFI) Schemes.
- 7.2 KPMG concluded that the Council did have the legal powers to enter the PFI contracts and the Council did not act unreasonably or irrationally when entering into the contracts.
- 7.3 The objector had been informed of the decision and had not objected within the relevant timescale.
- 7.4 **RESOLVED:** That the report be noted, along with the contents of the auditor's Final view, including the positive conclusions in respect of the objection.

8. OUTSTANDING AUDIT REPORTS FROM KPMG FOR THE FINANCIAL YEARS 2016/17 AND 2017/18 (ANNUAL AUDIT LETTER 2016/17 AND 2017/18, AUDIT CERTIFICATE 2016/17 AND 2017/18 AND ANNUAL REPORT ON GRANTS AND RETURNS 2017/18) AND AUDIT CERTIFICATE ON 2018/19 FROM ERNST AND YOUNG

- 8.1 Dave Phillips presented the report which informed Committee that as a result of the now resolved PFI Objection, KPMG were now able to issue Annual Audit Letters for 2016/17 and 2017/18, Audit Certificates for 2016/17 and 2017/18 and the Annual Report on Grants and Returns for 2017/18. The Council's current external auditor's, Ernst and Young, had also issued the 2018/19 Audit Certificate.
- 8.2 The issuing of the Annual Audit Letters for 2016/17 and 2017/18, Audit Certificates for 2016/17 and 2017/18 and the Annual Report on Grants and Returns for 2017/18 now concluded the work of KPMG for the Council.
- 8.3 **RESOLVED:** That the outstanding annual reports for 2016/17 and 2017/18 be noted and that the audit certificate for 2018/19 be noted.

9. OUTCOMES OF THE INTERNAL AUDIT MID-YEAR REVIEW OF THE ANNUAL PLAN

9.1 Kayleigh Inman, Senior Finance Manager (Internal Audit) presented the report which informed Committee of the outcomes of the mid-year review of the annual work plan.

9.2 There had been a significant change to the plan due to sickness levels and staff shortage within the department. A recruitment exercise had been unsuccessfully undertaken to try to ease the burden on existing staff. The number of audits to be undertaken was to be reduced by 22% and it was hoped that the department would be fully staffed for the end of the 2019/20 financial year. Each portfolio still had coverage and key risk areas would be audited.

9.3 **RESOLVED:** That (1) the report be noted; and
(2) the revised 19/20 work plan be agreed.

10. WORK PROGRAMME

10.1 Gillian Duckworth noted that the July 2020 meeting had been moved to 30th July 2020 at the request of Ernst and Young.

10.2 Due to the forthcoming workload, it was suggested that the standards items on the workplan be moved to the February meeting of the Committee.

10.3 The Annual Audit Letter would be added to the January meeting and the Formal Response to Audit (ISA 260) Recommendations Report should be moved to the April meeting.

10.4 **RESOLVED:** That, with the proposed amendments, the Work Programme be approved.

11. DATES OF FUTURE MEETINGS

11.1 It was noted that meetings of the Committee would be held at 5.00pm on:-

Thursday 23rd January 2020

Thursday 20th February 2020

Thursday 19th March 2020 (additional meeting, if required)

Thursday 16th April 2020

Thursday 11th June 2020

Thursday 30th July 2020

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Audit and Standards Committee Report

Report of: Mike Weston, Assistant Director ICT Service Delivery

Date: 24th January, 2020

Subject: ICT Software and Hardware Asset Management

Author of Report: Mike Weston, Assistant Director ICT Service Delivery

Summary: To provide the Committee with an update on the implementation of the recommendations arising from the Software Asset Management and Hardware Asset Management Audit reports finalised in March, 2019

Recommendations: To note the current positions and for a further report to be provided to the Audit and Standards Committee by June 2020.

Background Papers: Reports by Internal Audit on Software Asset Management and Hardware Asset Management (March, 2019).

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Member
Councillor Terry Fox, Cabinet Member for Finance
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

UPDATE ON ICT SOFTWARE AND HARDWARE ASSET MANAGEMENT AUDITS

1.0 INTRODUCTION

- 1.1 Internal Audit published two reports in March, 2019 relating to Software and Hardware Asset Management that gave no assurance to Software Asset Management and limited assurance to Hardware Asset Management services provided under the Capita contract.
- 1.2 BCIS ICT Service Delivery (the Capita client team) agreed a number of recommendations to address the assurance opinions in both of these reports, but has only been able to make limited progress in implementing these recommendations due to the significant work required to safely exit the Capita contract, and the complexity associated with implementing the recommendations within the constraints of that Capita contract where the changes needed were largely required to be done by resources under the control of Capita.

2.0 BACKGROUND

- 2.1 The Council had engaged Capita to provide a fully managed ICT Service since 2009 that included the provision of both Software and Hardware Asset Management
- 2.2 Cabinet approved delegation to negotiate termination of this managed service contract to the Executive Director of Resources, who executed a decision on 14th April, 2019:
 - to issue notice to exercise the break clause to Capita to exit all services (ICT, Revenues and Benefits and FBT) at the contract break point on 4th January, 2020; and
 - to retain the option to negotiate further service delivery by Capita (if necessary) beyond 4th January, 2020 under the contract.
- 2.3 This followed a long and protracted negotiation that sought to terminate the ICT elements of the contract before the break clause in the contract. As part of this initial attempt to end parts of the ICT contract. Capita were required to provide information on the ICT Service and its management. This raised concerns on the quality of information on Software and Hardware assets held by Capita and the overall management by Capita of these aspects of the ICT Service delivery under the contract.
- 2.4 This resulted in the Director of BCIS requesting Internal Audit to review the processes and procedures employed by Capita to meet their contractual obligations to deliver effective Software and Hardware Asset Management.

3.0 MAIN BODY OF THE REPORT

Including Legal, Financial and all other relevant implications (if any)

- 3.1 Internal Audit agreed terms of reference for two separate audits of Software and Hardware Asset Management with the Director of BCIS in following concerns regarding the quality of information provided to the Council during negotiations to seek to terminate the ICT elements of the contract.
- 3.2 Numerous requests were made to Capita to provide information to support the Audits, but they failed to provide sufficient detail to give Internal Audit sufficient detail to give anything but no or limited assurance.
- 3.3 BCIS and Internal Audit agreed the final report assurances and recommendations in March, 2019, but due to the focus on delivering a safe exit from the Capita contract and not having control of the resources responsible for delivery of the recommendations, significant progress on implementation of the recommendations was only really possible post-exit.
- 3.4 Consequently limited progress has been made in implementing the recommendation detailed in the reports. The intention was to pick these recommendations up once exit from the Capita contract had taken place and initial work to stabilise the transferring ICT Service had happened.
- 3.5 The contract with Capita has only recently terminated (4th January, 2020) but the resources involved in software and hardware asset management have now moved over to the Council under the Assistant Director of ICT Service Delivery in BCIS who will now ensure the agreed recommendations are fully implemented.
- 3.6 In readiness for the Capita handover a number of actions have been taken to ensure that ICT Service Delivery can address the outstanding recommendations.
- 3.7 Policies in relation to software and hardware asset management have been drafted and are under review before being presented to ICT Strategy Board for approval. It anticipated these will be presented to the February ICT Strategy Board
- 3.9 A new Service Management tool, Service Now, has been implemented across IT to provided standard IT Infrastructure Library (ITIL is a global ICT Service Management best practice framework) methodology functionality. This will provide configuration management database functionality across ICT and will become the repository for all software and hardware asset information.
- 3.10 During the transition of services from Capita to the Council, Capita have novated contracts and licences relating to Sheffield ICT back to the

Council and provided baseline data which is being used to on board new suppliers. This baseline data is being utilised to validate volumes and entitlements to populate Service Now.

4.0 RECOMMENDATIONS

- 4.1 To note the current positions and for a further update report to be provided to the Audit and Standards Committee by June 2020.

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Audit and Standards Committee Report

Report of: Tim Hardie – Head of Commercial Business Development

Date: 23rd January 2020

Subject: Universal Credit Update

Author of Report: Tim Hardie & Cat Arnold

Summary:

Universal Credit (UC) has now been in operation in Sheffield for over 12 months. This report provides further information on how UC has impacted Council housing rent arrears, take up of Council Tax Support and the experiences of vulnerable groups in the city.

Rent arrears are rising still for a small group of tenants who have gone onto UC. However, based on the experiences of landlords in areas that went on to Full Service UC before Sheffield, an increase in rent arrears was expected. Despite this upwards trend the Council Housing Service have revised down its arrears projections because arrears, so far, are not as high as originally anticipated. This reflects the good work by Council Housing to support their tenants, as well as the strong cross-agency collaboration in the city to work together to mitigate the impacts of UC.

The number of Council Tax Support (CTS) cases has reduced since the introduction of UC. Analysis has been carried out into this reduction which suggests that at least some of it is due to UC claimants not claiming CTS despite being eligible for it. The Revenues & Benefits service therefore intend to use notification of a new claim for UC as an application for CTS, which will mean that UC claimants do not have to make a separate claim for CTS and should increase the number of UC claimants receiving CTS.

Some groups have particular issues and challenges with UC, including BAMER communities; private-rented tenants; people with disabilities and health conditions; carers; families, particularly lone parents and families with more than two children; people who have made a UC claim based on poor advice or been the result of fraud; young people and people experiencing domestic abuse.

Accompanying this report are:

Appendix A: Data dashboard of UC Impacts

Recommendations:

That the Audit & Standards Committee:

- Note the information set out in the report and appendices.
 - Request any further information or briefing on the Universal Credit work as appropriate.
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Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Member
Councillor Terry Fox, Cabinet Member for Finance
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

REPORT TITLE

1.0 INTRODUCTION

- 1.1 An update on Universal Credit (UC) was last brought to this Committee back in January 2019. The Committee noted that UC was in its early days of implementation and requested that a further update be provided at a future meeting.
- 1.2 'Full Service' UC has now been in operation in Sheffield for over 12 months. This report provides further information on how UC has impacted Council housing rent arrears, take up of Council Tax Support and the experiences of vulnerable groups in the city.

2.0 BACKGROUND

2.1 Overview of Universal Credit

The Department for Work and Pensions (DWP) started to roll out 'Full Service' UC in Sheffield in November 2018¹. It is the Government's intention that UC will replace all working age income-related benefits (Income Support, income-related Employment and Support Allowance, income-based Jobseeker's Allowance, Housing Benefit and Tax Credits), but not Council Tax Support which continues to be claimed separately through a different process. According to DWP figures, at the end of **September 2019 there were 16,604 people** in the city on UC.

- 2.2 The default position with UC is **one monthly payment to a household**, including housing costs, **paid in arrears**. People then pay their rent, bills and other costs from that payment. UC is applied for and managed **online**. Different arrangements can be made for vulnerable people, although evidence suggests that these do not always work smoothly.
- 2.3 New claims for the old benefits (often known as 'legacy benefits') listed above now require an application instead for UC. Some claimants of legacy benefits who have a change of circumstances must also now claim UC. The DWP call this process 'natural migration'. At some point in the future, the DWP will contact all working-age people still on legacy benefits to notify them that their award will be ending and to invite them to apply for UC. This process is called '**managed migration**' and a date has not yet been set for it. It is currently being tested in Harrogate but the numbers are still extremely small and it is too early to draw conclusions at this stage.
- 2.4 Further information about Universal Credit can be found at www.sheffield.gov.uk/universalcredit and www.understandinguniversalcredit.gov.uk.

¹ 'Full Service' differs from a prototype version of UC called 'Live Service': Sheffield had the latter for some time, with around 3,700 in the city claiming it. All claimants on Live Service were transferred to Full Service at the end of 2018.

2.5 What has been done in Sheffield to respond to Universal Credit?

A **Universal Credit Partnership** was set up in May 2018 to coordinate the city's activity on UC, bringing together key representatives from Sheffield City Council, DWP and voluntary, community and faith organisations to share knowledge and create links between the different strands of activity around UC², covering:

- Communications: Universal Credit Information Sheet and website have been developed www.sheffield.gov.uk/universalcredit which set out key aspects of UC and where people can get help in Sheffield.
- UC awareness sessions have been delivered to partner organisations by Sheffield's DWP Partnership Manager and by Citizens Advice Sheffield.
- Community groups and public services are working closely together in localities to bring together support for people on UC and to provide information on UC.
- Comprehensive signposting information about locality-based support has been compiled and made available to staff in libraries, housing offices, job centres, GP receptions, community hubs and other services to help ensure that people are directed to the best support for them.

2.6 When UC was first introduced, DWP provided funding to the Council Housing service and SCC staff provided support (to all tenures) within job centres³. From April 2019, after a national agreement, funding was given to Citizens Advice for UC support. Citizens Advice have therefore set up the **Help to Claim** service, which is usually initially accessed via phone (**Freephone 0800 1448 444**) and then face-to-face appointments are arranged if needed. The service can also be directly accessed face-to-face at their drop in sessions. Sheffield Citizens Advice have also set up a local Consultancy Line for partners and organisations to help them support people on UC (0114 354 0656).

The DWP-Citizens Advice contract only covers support up to the first payment – however, Citizens Advice Sheffield also provides support to those who need to manage their existing UC claim, a service made possible by SCC grant funding. The DWP contract is for 12 months until April 2020.

2.7 Internal SCC groups are also monitoring and responding to UC impacts on services and our citizens. SCC has a UC Operational Group, chaired by the Head of Commercial Business Development, which pulls together the key services most impacted by UC to coordinate organisation-wide activity, including the production of a data dashboard on UC impacts. This Operational Group reports to a small group of directors and to a UC Cabinet Member Steering Group (currently Cllrs Jackie Drayton, Paul Wood and Terry Fox).

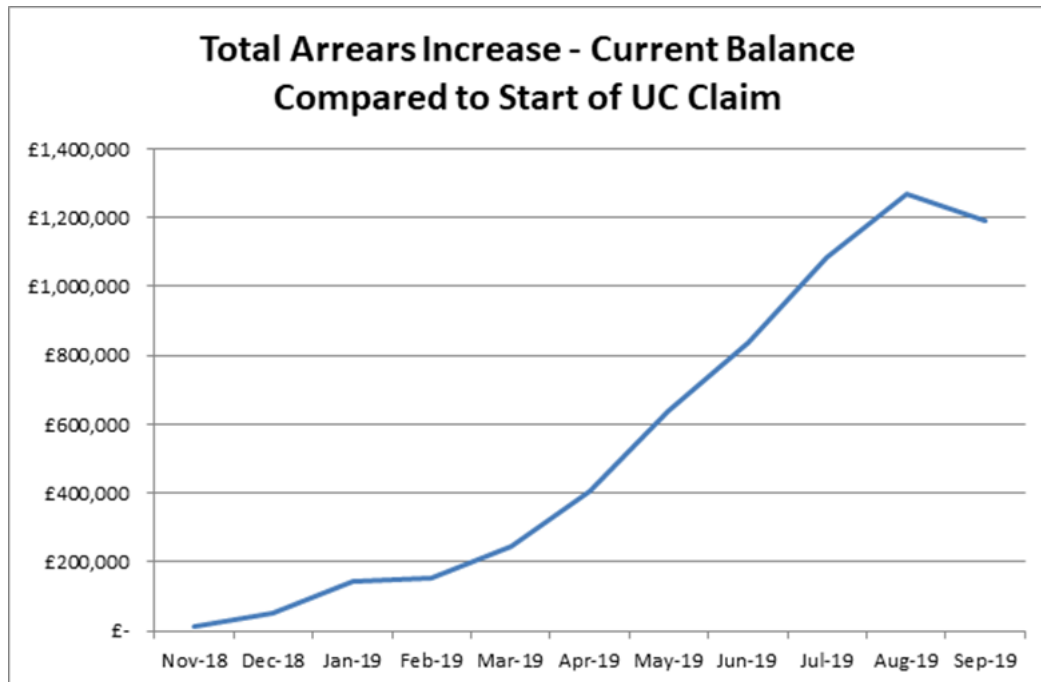
² Organisations represented include: Sheffield City Council, DWP, Citizens Advice Sheffield, Housing Associations, Manor & Castle Development Trust, ZEST, SOAR, Sheffield Credit Union, Shelter, Church Action on Poverty, CCG, and Sheffield Food Bank Network.

³ Our Council Housing staff now only provide UC support to our tenants.

IMPACT OF UNIVERSAL CREDIT (SECTIONS 3-6)

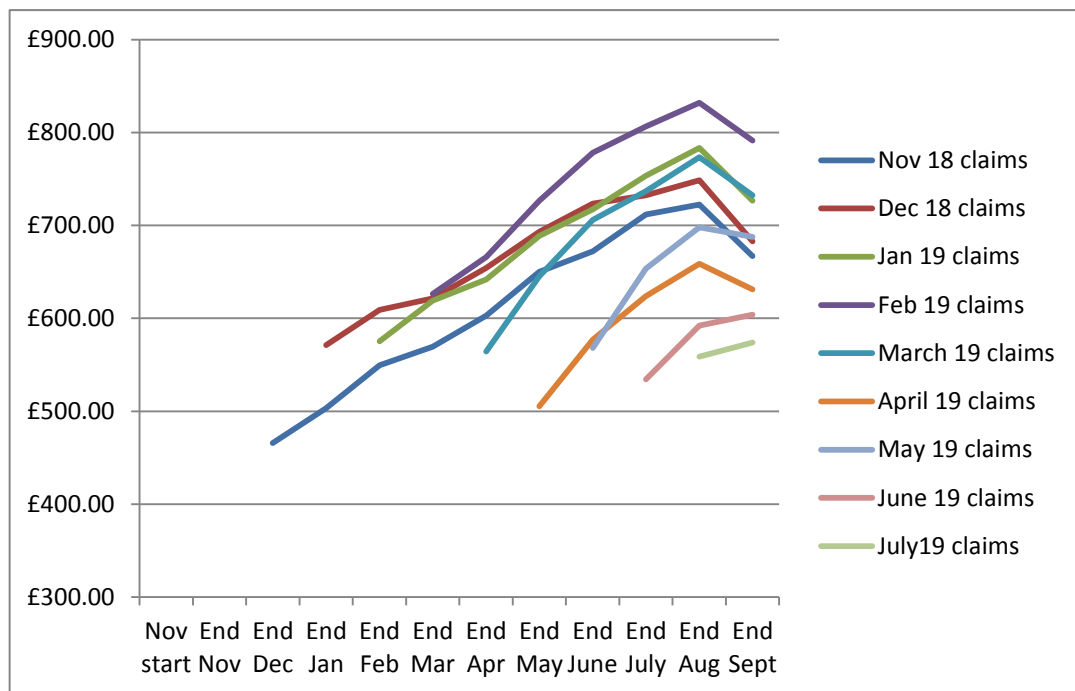
3.1 Housing Rent Arrears

Analysis shows that rent arrears have continued to rise for some tenants who have gone onto UC. This chart shows the total arrears increase for tenants on UC compared to the start of UC claim (NB: the number of tenants on UC also increases over this period). To put into context, the total rent arrears for all current tenants at September 2019 were £8,330,918.

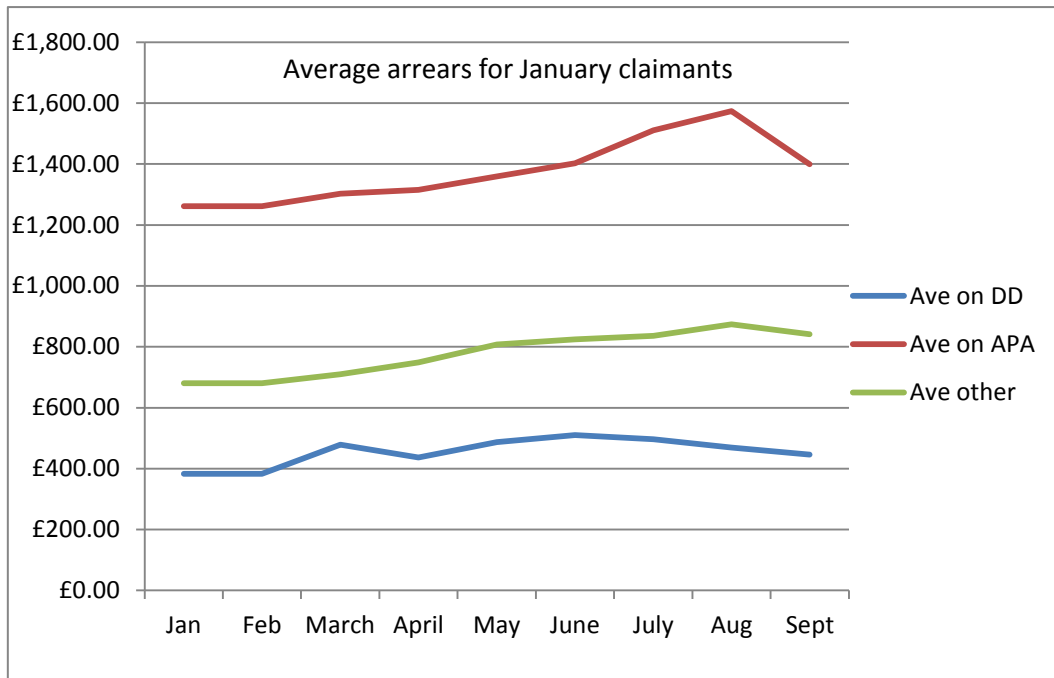


3.2 The chart below shows the average rent arrears for tenants according to when their UC claim started. The apparent dip for September is due to two four-weekly direct payment from the DWP falling in September⁴, rather than a reflection of a change in the overall pattern of arrears.

⁴ Direct payments from DWP are paid four-weekly, so once per annum we receive two payments.



- 3.3 Ideally we would see these rent arrears, particularly for the earlier claims, starting to level off and fall by now. However, at this point in the roll out of UC, arrears for some remain on a steady upwards trajectory for those Council tenants now claiming UC.
- 3.4 It is important, however, to put this trend into context. Arrears for UC claimants were expected to increase, as this was the norm across most other organisations nationally that moved to full service before Sheffield.
- 3.5 Despite this upwards trend the Council Housing Service have revised down its arrears projections because arrears, so far, are not as high as originally anticipated. The reduction reflects the good work by Council Housing to support their tenants, as well as the strong cross-agency collaboration in the city to work together to mitigate the impacts of UC. Despite the improvement, the impact is still significant, with current projections estimating an arrears increase to £9.1m by the end of 2020/21 and £10.1m by 2022/2023.
- 3.6 Further analysis of one cohort of UC tenants is shown in the graph below: average arrears for tenants on UC whose claim was made in January 2019. This group of tenants is representative of claims made in other months. The analysis shows how housing costs are being paid:
- Direct Debit (DD) – currently 37% (2,071 tenants) pay this way
 - Alternative Payment Arrangement (APA – this is a direct payment to landlord) – currently 12% (717 tenants) pay this way, or
 - Neither of these – the remaining 51% (2,584 tenants) pay by other methods



- 3.7 The average arrears for those claimants on APAs continue to increase, when you disregard the additional payment in September. This group of customers are the most financially challenged/vulnerable, as evidenced by the high starting point (£1,261) and often the use of the APA is a last resort, to try and avoid further legal action being taken.
- 3.8 For those on direct debit, average arrears are starting to fall. This is the preferred payment method (and is also a condition of new tenancies) and is promoted by staff in IMFIT when managing tenants rent accounts.
- 3.9 It is possible that many of the claimants who have gone on to UC in these early stages have done so because they have less stable lives and therefore experience more changes of circumstance in terms of their benefits/work/housing. They are therefore a group more likely to have complex case histories and accrual of rent arrears anyway. Future cohorts of UC claimants may have more stable work/benefit patterns and therefore have a different pattern of arrears. The data will continue to be monitored for impacts by the Council's UC Operational Group.

3.10 Support for Council Housing tenants on UC

Council Housing are doing a lot of work with our UC claimants to help ensure that they have stable tenancies and get the support they need. They proactively contact all tenants who claim UC, a process that has been helped by a joint-working pilot started at Cavendish Court job centre and recently expanded to include Bailey Court job centre. Income Management are located there two days a week and DWP staff make appointments for our staff to see our tenants. This time can be used to discuss rent arrears, make CTS/DHP claims, set up direct debits, etc. We would be seeking to discuss all these with tenants anyway, but this is an easier way to make contact with them. SCC staff are also training DWP

on claiming Discretionary Housing Payments (DHP) and CTS so they can also support clients.

- 3.11 Excellent relationships have been developed between teams in the Housing and Neighbourhoods Service (H&NS), such as Income Management and Financial Inclusion Team (IMFIT) with the DWP and Citizens Advice. This has allowed us to identify and resolve issues quickly, to the benefit of claimants.
- 3.12 Other work includes learning from other organisations that had moved to full service earlier and close relationships with many of these facilitating the sharing of best practice; and the provision of new software (RentSense system) that allows staff to more efficiently identify those accounts not paying and in arrears, therefore promoting quicker intervention.

4.1 **Council Tax Support & UC**

Since the wider rollout of UC in Sheffield, the Council has been monitoring the Council Tax Support (CTS) caseload to see if UC has had any detrimental impact. When a customer made a new claim for a legacy benefit, the DWP also provided a new claim for CTS, which was sent to SCC. However, under UC, the DWP do not send us a claim for CTS, but instead notify us that a claim for UC has been made, and advise the claimant that they must make their claim for CTS directly with the Council. However, there is a concern that some UC claimants are not following this advice, and are not making a claim for CTS. Anecdotal evidence suggests that this could be due to 'claim fatigue'. The Revenues & Benefits Service has therefore done some analysis on this cohort to better understand the circumstances.

- 4.2 Whilst the CTS caseload has reduced over the last several years, the rate at which it had reduced has increased since the wider rollout of Universal Credit. Analysis on this reduction shows that there are three main reasons for CTS not being claimed:
 - 1. Customers who claim UC fail to make a claim for CTS. This may account for about 30% of the reduction in the working age caseload. However, there is no guarantee that all these customers would qualify for CTS, as outlined in point 2, below.
 - 2. Customers who do not qualify for CTS due to the level of their income from UC. For some, UC is more generous than legacy benefits, meaning they can earn more, and still receive UC, but not CTS, as CTS eligibility is dependent on income.
 - 3. Some customers don't follow up their initial claim for UC, and don't make a claim for CTS. This may be due to a change in circumstances or could be due to issues with the UC claim.
- 4.3 Steps can be taken to make it easier to claim CTS, and we are planning to use a notification of a new claim for UC as an application for CTS, which will mean that UC claimants do not have to make a separate claim for CTS. Further to this, a

proactive exercise to identify those who had failed to claim CTS will be undertaken to ensure those who are entitled to assistance receive it.

- 4.4 It is also worth noting that the Revenues & Benefits Service has made claiming CTS simpler for new UC claimants, as initial awards are processed based upon the information disclosed on the CTS application form, and therefore customers do not have to wait the 5 weeks for UC to be awarded before their claim is assessed.

5.1 **Impacts on vulnerable people**

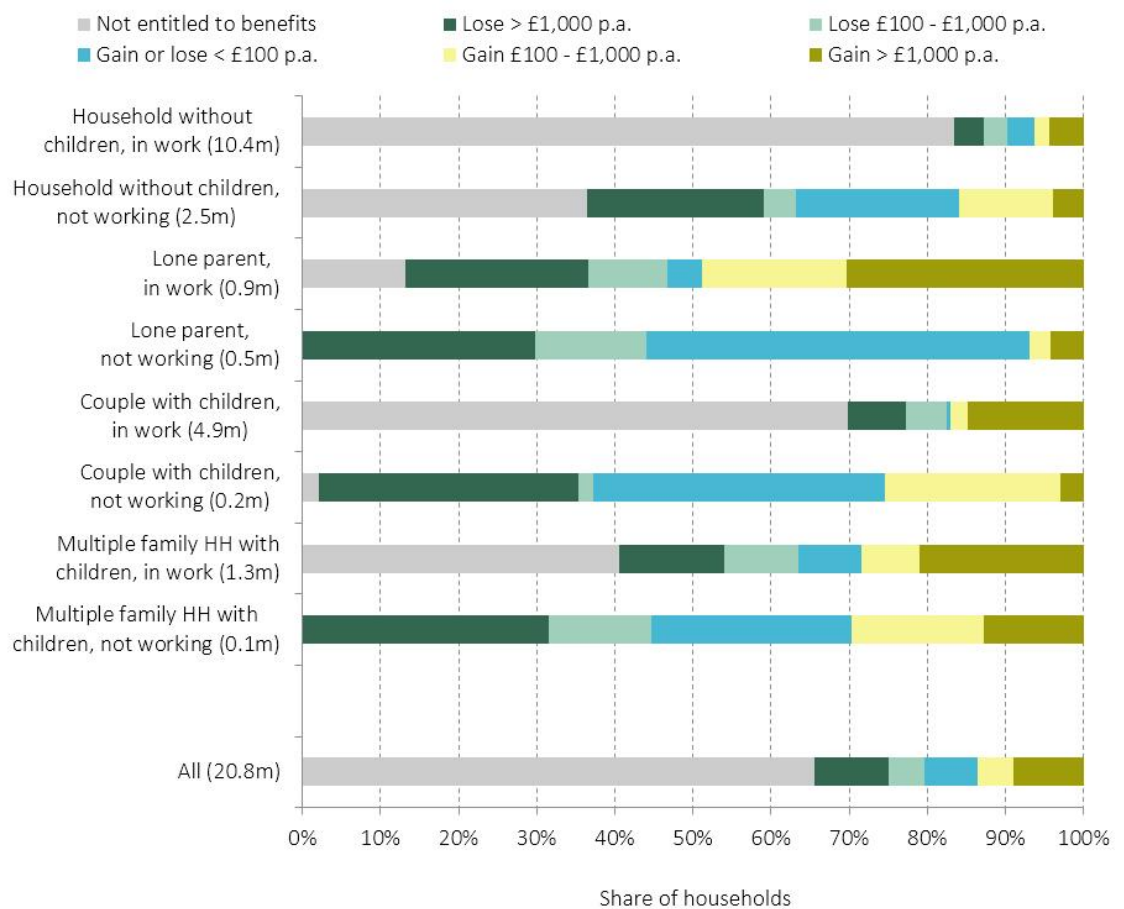
The Universal Credit Partnership held a workshop in June 2019 to gain a shared understanding of how different types of people in Sheffield are experiencing UC and to explore solutions for improving their experiences, with representatives from community groups, charities, DWP, SCC, NHS, and equality groups. Much of the evidence in this section comes from this workshop, along with other case study information shared with the UC Partnership.

5.2 **Impact of universal credit reform on working-age households' entitlements (number of households in parentheses)⁵**

The graphic below from the Institute of Fiscal Studies shows the impact of UC on specific types of households can and does vary, creating a complex picture that is difficult to interpret. Some families will actually be better off under UC, although the overall trend is towards a less generous welfare system. Some households are more adversely affected than others. For example, lone parents not in work are unlikely to be better off, whilst 50% of lone parents in work would gain under UC.

⁵ Institute of Fiscal Studies briefing: Benefit Changes set to take effect during the next parliament 18 Nov 19 <https://www.ifs.org.uk/election/2019/article/benefit-changes-set-to-take-effect-during-the-next-parliament>

NB: Working-age households are those containing an adult below pension credit age. Households are categorised as 'not entitled to benefits' if they would not be entitled to any legacy benefit or universal credit.



5.3 The UC data dashboard, included as Appendix A, has been expanded to include some information from food banks in S2 and Parson Cross. This shows that the demand for food support – anecdotally often the result of delays and issues with benefit – is consistently high among vulnerable people in these communities, and in Parson Cross in particular, has increased significantly since November 2018, when UC was introduced. More specifically, some groups have particular issues and challenges with UC, which are explored further below.

5.4 Black, Asian and Minority Ethnic People and Refugees

People from these communities are more likely to face language barriers and have lower digital skills, which makes managing the UC process more difficult. There is a general lack of understanding of UC among some BAMER people. This lack of understanding can easily be exploited; in Burngreave there has been a significant increase in vulnerable people being charged for help completing forms, or ‘friends’ helping with the process and then taking the UC money. It is likely that these practices are not just confined to this locality. Refugees are particularly vulnerable to the complexities of the UC system and have fewer resources to fall back on when things go wrong.

It should be noted BAMER people are more likely to be private-rented tenants and families with more than two children, both of which are disproportionately affected by UC.

5.5 Private-rented tenants

Many people in rented accommodation, including social-rented tenants, are more likely to be negatively impacted by UC because they are more likely to be on a low income and financially excluded. However, social-rented tenants, particularly Council tenants, have a secure tenancy and access to support from their landlords if they are struggling financially. Social landlords are also able to liaise with DWP on their behalf. We recognise that tenants do not always take this support up, but it is available. Private-rented tenants, on the other hand, are far less likely to have secure tenancies and there are also widespread reports of private landlords refusing to take tenants on UC. Even where landlords are prepared to take on UC claimants, they are less likely to have knowledge of the system if something goes wrong with the claim and they do not have access to the online DWP portal that social landlords have. Anecdotal evidence from our Housing Solutions service and partners such as Shelter show that the negative impact of UC on private-rented tenants can be significant.

5.6 People with disabilities and health conditions; Carers

When UC was originally rolled out there were some people who had previously been receiving Severe Disability Premium as part of their legacy benefits who lost a significant amount of income when they moved onto UC. This has been temporarily fixed by preventing those claimants from moving onto UC and refunding those who were affected.

Whilst this has been a positive change, there are still many people with disabilities or long-term health conditions who are struggling with UC. Issues highlighted at the UC Partnership impact workshop held in June include:

- conditionality may require them to attend job centre appointments that clash with medical appointments;
- they may find themselves pushed into a digital claim that they are unable to manage due to their disability;
- even where people are allowed to use the phone line to manage UC, repeated phone calls can exacerbate mental health issues;
- the wording used by DWP can exacerbate anxiety, making it harder for some people to engage;
- hospital in-patients (particularly those within mental health wards) are struggling to make a UC claim and some have been advised that they need to attend a job centre in order to prove identity before they can be paid; a process that is highly ill-advised.

Carers have also reported struggles with the UC system. They are often dealing with DWP on behalf of someone else's claim and find a lack of understanding or processes that allows them to facilitate that. The responsibilities carers have can mean that they are unable to leave home to attend DWP appointments. This is

often not recognised and they are penalised for not attending their own appointments. We know that Sheffield Carers Centre emergency hardship payments have increased significantly over the last year as their members come to them in financial difficulties.

5.7 Families

The impact of UC on families varies according to circumstances, as demonstrated by the IFS graphic shown in 5.2 above. Two groups likely to be particularly negatively impacted include lone parents and families with more than two children. This latter group will be increasingly affected by the 'two-child limit' on support through means-tested benefits that apply to children born after 2017, and all families on UC will be impacted by the abolition of the extra support that families get for their first child (known as the 'family premium'). Over time, these reforms will put pressure on the incomes of poorer families with children, especially larger families who are disproportionately in poverty. This group also intersects with BAMER and private rented tenants.

5.8 People who have made a UC claim based on poor advice or had UC fraudulently set up without their knowledge

We do not have exact numbers of how many people are affected by this in Sheffield or nationally and, although it is unlikely to be huge, the impact on those affected is very severe. Once a household has moved onto UC, it is in practice virtually impossible to move back to legacy benefits, even if someone is worse off or if they have had UC set up fraudulently without their knowledge. The latter, in particular, can leave households with no income (until resolved) and no means of returning to their previous benefits. It should be noted that people were subject to financial exploitation and abuse under the legacy system. The problems with UC partly reflects a continuation of this abuse, but also represents some new issues, including UC advances being claimed fraudulently and people being unable to move back of UC.

5.9 Young people

Under 25s are on lower incomes so have considerably less to live on. This is feasible if they are able to live with their parents, but can create a big strain when living independently. Care leavers and young offenders are particularly vulnerable to negative impacts from Universal Credit. In addition, evidence from the UC Partnership impact workshop held in June and elsewhere suggests that young people are less likely to engage with support even when it is made available.

5.10 People experiencing domestic abuse

The default UC payment is one whole-household payment. This can increase the likelihood of financial abuse because an abuser has access to their partner's benefit. Although people are allowed to request a split payment (a type of APA) in the case of abusive relationship, requesting one can put someone experiencing abuse at further risk.

5.11 Approach

This information about the impacts on vulnerable people is being used in various ways to inform SCC and partners' responses to UC. The communications work is being developed to appeal to people from different communities to help ensure they access UC support. The SCC Private-rented Solutions team have spent time in job centres to improve the UC experiences of the private-rented tenants they support. The DWP Partnership manager organises regular training for job centre staff to increase their understanding of the challenges faced by different groups, including refugees, carers, people with disabilities.

7.1 Next steps

Sheffield still has approximately 75% of UC process to get through between now and the planned UC completion date of 2023. This process will include 'managed migration', the date of which is still unclear, where the government will start to actively move claimants of existing benefits over to UC. Rather than transferring people onto the new system automatically, the government's current plan involves ceasing payments of legacy benefits and requiring individuals – some of whom will not have made a new benefit application for years – to make a new claim for UC within a specific time frame. This may be particularly difficult for some claimants with disabilities or other vulnerabilities, who make up about half of the group who will be moved over to UC. Technical errors on the government's part, or claimants not filling in the requisite forms, could result in families being left without support.

7.2 The UC Partnership has been meeting approximately every three months. At the last meeting in October it agreed to meet again in six months unless there is a significant development during that time, such as the announcement of a managed migration date. There will continue to be a core group of SCC, DWP and Sheffield Citizens Advice meeting regularly.

7.3 Updates on UC are due to go to the following groups:

- Health & Wellbeing Board (February 2020)
- Cabinet Member UC Steering Group (expected to take place in February 2020)

7.4 Continuing SCC work on UC includes:

- Communications, capturing some video 'stories' from experts and UC claimants about what UC is and where people can get support. We can then use these on social media and in local press. Personal stories are a very powerful way of getting messages across and can also be a lot more accessible for those with low literacy or other vulnerabilities.
- Work to support tenants (see section 3.10 above)
- Use a notification of a new claim for UC as an application for CTS (see section 4.3 above)
- Continuing to monitor impacts of UC through the UC Operational Group.

8.0 RECOMMENDATIONS

8.1 That the Audit & Standards Committee:

- Note the information set out in the report and appendices.
- Request any further information or briefing on the Universal Credit work as appropriate.

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This dashboard is still being developed but provides a high-level picture of how Universal Credit is impacting both SCC and the city. Many of the indicators are a proxy for potential impact of UC rather than a measure of UC itself, and are a way of flagging where more investigation or action is needed. See the detailed narrative on sheet 2 for further details of each indicator and the meaning of RAG ratings. It should also be noted that this dashboard does not currently capture all the impacts of SCC; anecdotal evidence shows that many vulnerable people in the city are struggling. Figures are being sought from community organisations such as food banks which will better reflect this.

Measure	Owner	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	RAG Rating	Comments
1 Housing Benefit Caseload	Revs and Bens	44816	44037	43259	42670	40357	40578	40003	39511	38882	38187	37766	37276	36754	Green	Year End issues mean report in March 2019 can't be relied upon.
% Reduction		N/a	1.7	1.8	1.4	5.4	-0.5	1.4	1.2	1.6	1.8	1.1	1.3	1.4	Green	HB caseload pre Nov 18
2 Council Tax Support Caseload	Revs and Bens	49755	49158	49388	49344	49219	48706	48436	48201	47929	47699	47505	47300	47075	Yellow	CTS Caseload Pre Nov 18
% Change		N/a	1.2	-0.5	0.1	0.3	1.0	0.6	0.5	0.6	0.5	0.4	0.4	0.5	Yellow	The slight reduction is being investigated. This may be due to the difference between working and pension age people or may be due to UC.
Council Tax Support Working Age		N/a	N/a	N/a	N/a	29867	29398	29204	29026	28865	28687	28541	28400	28226	Yellow	
% Change		N/a	N/a	N/a	N/a	N/a	1.6	0.7	0.6	0.6	0.6	0.5	0.5	0.6	Yellow	
3 Average weekly DHP award to UC claimants	Revs and Bens	N/a	N/a	N/a	£12.94	£13.27	£13.15	£14.38	£11.79	£11.91	£12.00	£11.83	£11.39	£10.97	Green	
4 UC Notices Received	Revs and Bens	N/a	1353	4523	6212	3449	3321	3399	2882	3108	2898	2772	3106	3036	Green	Various types of notices are received. Further breakdown can be provided if required.
5 Customer Contact (Call Centre)	Customer Services	52	36	74	59	62	Not available	88	129	70	74	29	41		Green	
6 Customer Contact (Howden House)	Customer Services	N/a	N/a	119	89	106	478	172	319	269	238	302	200		Green	The increase in enquiries at Howden House is being reviewed to better understand the circumstances.
7 Local Assistance Scheme Crisis Grant Applications	LAS	84	78	117	157	154	128	113	106	154	161	169	179	122	Green	LAS Team consider that the wider rollout of UC to be a contributory factor to the increase in the number of applications they have received, and will continue to monitor this.
8 Local Assistance Scheme Crisis Grant Awarded	LAS	34	32	46	45	40	28	33	36	51	52	44	40	20	Green	
9 Homeless Presentations	Housing Solutions	300	206	353	300	300	294	289	289	304	297	304	341	303	Green	This indicator does not necessarily relate to UC. It is included so that any increase in homeless presentations can be investigated to see if UC has had any impact. NB: these figures are provisional because they have not yet undergone detailed checking or submission to/publication by government.
10 No of UC claimants - SCC tenants	IMFIT (Council Housing)	305	867	1463	2,023	2,503	2,973	3,259	3695	4206	4576	5054	5242	5658	Green	
11 % of tenants on UC	IMFIT (Council Housing)	0.79%	2.25%	3.79%	5.24%	6.49%	7.71%	8.45%	9.60%	10.92%	11.88%	13.13%	13.63%	14.71%	Green	
12 % of tenants on HB	IMFIT (Council Housing)	60.30%	60.70%	59.88%	59.39%	57.90%	56.90%	56.47%	55.99%	55.16%	54.89%	53.64%	53.38%	52.75%	Green	
13 Total Arrears Increase - current balance compared to start of UC claim	IMFIT (Council Housing)	£ 11,197	£ 52,984	£ 145,636	£ 152,126	£ 246,499	£ 406,734	£ 638,108	£ 837,314	£ 1,083,267	£ 1,267,082	£ 1,193,396	£ 795,857	£ 811,941	Yellow	IMFIT have reacted to increasing arrears levels by changing their approach to new UC claims, so now have a dedicated team of staff dealing with these, to improve consistency and advice provided.
14 Average Arrears Increase - current balance compared to start of UC claim	IMFIT (Council Housing)	£ 36.71	£ 61.11	£ 58.45	£ 75.20	£ 98.48	£ 136.81	£ 195.80	£ 226.61	£ 257.55	£ 276.90	£ 236.13	£ 151.82	£ 143.50	Yellow	
15 % of UC accounts in arrears (5 weeks and over)	IMFIT (Council Housing)	50.49%	48.44%	48.74%	46.32%	49.82%	49.45%	52.68%	53.18%	54.14%	54.65%	51.96%	46.03%	44.84%	Yellow	5 weeks is used to reflect monthly payment dates.
16 % UC claimants on Direct Debit	IMFIT (Council Housing)	22.30%	24.12%	26.93%	28.82%	31.00%	31.45%	32.65%	34.42%	35.66%	36.39%	37.16%	37.49%	37.91%	Green	Overall city wide figure is 36.97%, so this is positive.
17 % UC claimants on APA	IMFIT (Council Housing)	26.89%	20.76%	16.34%	13.89%	13.90%	13.15%	13.10%	12.64%	12.24%	12.22%	12.03%	12.19%	20.98%	Green	Continues to fall as we promote DD as preferred payment method.
18 Evictions	IMFIT (Council Housing)	0.36%	0.41%	0.45%	0.49%	0.51%	0.04%	0.07%	0.11%	0.13%	0.16%	0.20%	0.24%	0.26%	Green	There were 15 evictions citywide in September, of which 2 were on UC. SCC is committed not to pursue eviction where rent arrears are the result of problems with UC payment. They will work with tenants and liaise with DWP to resolve issues. It should be noted, however, that as more tenants move on to UC, there is more chance that tenants who happen to be on UC are evicted for a variety of reasons. Eviction is always a last resort; other solutions are always sought first.
19 Housing Hardship fund awards to UC claimant	IMFIT (Council Housing)	N/a	N/a	£861.73	£4,755.00	£6,642.80	£4,761.44	£1,468.07	£5,603.93	£8,247.84	£5,843.00	£8,892.06	£12,452.58	£5,194.24	Green	There were 12 awards made in September to UC claimants, accounting for 56% of the total amount awarded.
20 Assistance Provided by Libraries	Libraries	N/a	N/a	27	19	13	31	21	4	12	5	4	7		Green	This is showing a manageable level of enquiries at libraries.
21 Households on UC	Department for Work & Pensions	2416	3720	4778	6733	8134	9467	10376	11677	12759	13777	Not yet available	Not yet available	Not yet available	Green	Taken from DWP website, and will be updated when available.
People on UC	Department for Work & Pensions	Not available	Not available	Not available	Not available	8242	10091	10979	12604	13789	15370	16504	Not yet available	Not yet available	Green	Taken from DWP website, and will be updated when available.
22 Foodbank Presentations - S2 and Salvation Army Foodbank	Voluntary Sector	N/a	N/a	262	289	347	299	374	317	340	297	316	342		Yellow	Anecdotal evidence indicates an increase in Food Bank usage directly attributed to introduction of UC. Data from individual food banks will be included once available.
Parson Cross Foodbank		N/a	N/a	139	228	349	Not available	247	235	262	197	320	326	423	Yellow	
23 Citizens Advice UC Help to Claim service	Citizens Advice Sheffield	N/a	N/a	N/a	N/a	N/a	480	600	408	567	670	613			Yellow	

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Audit and Standards Committee Report

Report of: David Phillips, Head of Strategic Finance

Date: 23 January 2020

Subject: PFI Objection

Author of Report: David Phillips

Summary:

This report summarises the findings of the external auditor's (KPMG) review of an objection at the 16/17 accounts into the Council's Private Finance Initiative (PFI) Schemes. The auditor's actual Final View is also attached.

Recommendations:

The Committee should note this report, and the contents of the auditor's Final View, including his positive conclusions in respect of the objection.

Background Papers: KPMG Final View letter of 8th October 2019

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
No Cleared by: David Phillips
Legal Implications
NO Cleared by Steve Eccleston:
Equality of Opportunity Implications
NO Cleared by Michelle Hawley:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Corporate
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE

13 June 2019

Private Finance Initiative (PFI) Schemes - Objection

Purpose of the Report

1. The purpose of this report is to summarise the work and conclusion of the Council's external auditor (which was KPMG for 2016/17) into an objection received in July 2017, in respect of the Council's 2016/17 accounts. The auditor's detailed Final View letter of 8th October 2019 is also presented to the Committee. This Final View is redacted, but only to remove the name and address of the objector (at the auditor's request).

Summary of the report

2. In July 2017 an objection was received asking KPMG, in relation to its seven PFI schemes (five for schools, one for Howden House and one for Highways) to:
 - make an application to the Court for a declaration that the related items of account are contrary to law under section 28 of the Local Audit and Accountability Act 2014; and
 - issue a public interest report under section 24 of the Local Audit and Accountability Act 2014.
3. To address this objection KPMG considered the information available, including information related to the PFI procurement framework that Councils were required to comply with when these contracts were entered into, and the applicable statutory guidance.
4. KPMG submitted their Provisional View to the objector on 6th August 2019 and gave them the opportunity to make further representations. No such further representations were received.
5. KPMG concluded in their Final View (page references are to this View):
 - the Council had the legal powers to enter into the PFI contracts that are the subject of this objection (page 5)
 - the Council did not act unreasonably or irrationally in the exercise of its powers (page 6)
 - we [KPMG] do not accept your [the objector's] assertion that the Council's advisers were conflicted when acting on behalf of the Council (page 6)
 - the Council did not act unreasonably, in Wednesbury terms, in using the PFI to procure these schemes and in doing so, that it acted

within existing Treasury guidelines in the decision-making process (page 7)

- When the costs of termination are combined with the costs of replacing the services provided we [KPMG] are satisfied that the Council has acted reasonably in not seeking to exit its PFI contracts (page 7)
- For the areas considered, our [KPMG] view is that we do not accept your [the objector's] assertion that the Council did not have sufficiently robust governance arrangements in place during the construction phase of the six projects [relating to buildings] nor are they in place now to ensure that the buildings are safe (page 8)
- We [KPMG] did not identify any evidence to suggest performance deductions were inconsistent with the performance of the service providers in delivering the contracted services (pages 9 and 10)
- We [KPMG] are satisfied that there is no information to suggest that the PFI contracts were entered into unlawfully such that there are no related items of account contrary to law (page 10)
- We [KPMG] will not issue a public interest report (page 11).

6. Further detail is contained in the auditor's Final View, attached for the Committee's information. The Final View does not contain any recommendations for action by the Council.

FINANCIAL IMPLICATIONS

7. There are no direct financial implications arising from the report.

LEGAL IMPLICATIONS

8. The legal implications are contained within paragraph 5 of this report.

EQUAL OPPORTUNITIES IMPLICATIONS

9. There are no equal opportunities implications arising from the report.

RECOMMENDATION

10. The Audit and Standards Committee notes this report, and the contents of the auditor's Final View, including his positive conclusions in respect of the objection.

Sheffield City Council

Annual Audit Letter for the year
ended 31 March 2019

December 2019

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

Agenda Item 9

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Sheffield City Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources .

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

Executive Summary

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 17 July 2019 and then again on 23 September 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 November 2019.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

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Stephen Clark
Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 25 July 2019 Audit & Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 18 April 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Undertaking any other work as agreed with yourselves.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 September 2019.

Our detailed findings were reported to the 25 July 2019 Audit Committee. An updated report was issued on 23 September 2019.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error (Fraud risk)</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We have assessed journal amendments, accounting estimates and unusual transactions as the areas most open to manipulation. We consider the specific risks to be focussed predominantly on the same areas we have set out in the significant risk of expenditure recognition (being the Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions). We have reported on these separately and have not repeated that information here.</p>	<p>We have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be the NNDR appeals provision, the valuation of Property, Plant and Equipment and the valuation of pension liabilities.</p> <p>Due to the significance of PPE and pension valuations on the financial statements we have included them as a significant risk and higher inherent risk respectively in our audit strategy. Our work on the NNDR appeals provision has been captured within the Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions risk. These have been reported separately within this report and therefore that information has not been repeated here. Given that the impact of valuation and measurement of property, plant and equipment and pension liabilities do not impact the general fund we do not consider these to be significant estimates subject to fraudulent misreporting.</p> <p>We confirm that we have performed the following procedures:</p> <ul style="list-style-type: none"> ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; ▶ We reviewed accounting estimates for evidence of management bias; and ▶ We evaluated the business rationale for any significant unusual transactions. <p>Based on the work performed:</p> <ul style="list-style-type: none"> ▶ We have not identified any material weaknesses in controls or evidence of material management override. ▶ We have not identified any instances of inappropriate judgements being applied. ▶ We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Inappropriate capitalisation of expenditure, completeness of liabilities and valuation of provisions (fraud risk)</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>The Council has overcome significant budget and savings challenges over the years and in 2018/19 the Council incurred an overspend £4.6m. As the Council is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Council's standard income and expenditure streams except for the inappropriate capitalisation of expenditure that should have been charged to the general fund, the completeness (understatement) of liabilities (namely accruals), and the valuation of provisions.</p>	<p>In considering this risk we focussed on:</p> <ul style="list-style-type: none"> ▶ Management's judgement in capitalising expenditure as PPE. The Council has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure. ▶ The completeness of liabilities at the year end with a focus on any judgements management have made in relation to the expenditure which spans the financial year end. ▶ Management's judgement in the valuation of provisions, in particular, the NNDR appeals provision. <p>We have performed the following procedures:</p> <ul style="list-style-type: none"> ▶ Capital additions testing ▶ Cut off and unrecorded liabilities testing over liabilities ▶ Testing over the valuation of provisions ▶ Journal entry testing <p>Our testing has not identified any material misstatements from the inappropriate capitalisation of expenditure or the valuation of provisions. In relation to our work on unrecorded liabilities we identified one error of £1.8m in relation to capital expenditure that had not been accrued. This was reported as an uncorrected misstatement. Overall our audit work did not identify any material issues or unusual transactions to indicate any material misreporting of the Council's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of Investment Properties and Property, Plant and Equipment</p> <p>Property, Plant and Equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years with investment property valued annually. All valuations are carried out by the Council's own specialist valuer and must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. This risk relates to assets that are revalued, being 'Council dwellings', 'Other land and Buildings', 'Surplus assets', 'Assets held for sale' and 'Investment Properties'. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▶ Reviewed and sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans, income streams and yields). ▶ Engaged EY Real Estate to review a sample of properties to ensure the methodology applied is appropriate. ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. ▶ Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated and whether asset categories held at cost have been assessed for impairment and are materially correct. ▶ Considered external evidence of asset values via reference to the NAO commissioned Local Government Gerald Eve report and broader market data for the area where relevant. Specifically we have considered if this indicates any material variances to the asset valuations performed by the valuers and to those assets not revalued. ▶ Considered changes to useful economic lives as a result of the most recent valuation and tested that the valuation accounting entries have been correctly processed in the financial statements, including the treatment of impairments. <p>We identified that the house price index applied to council dwellings was applied for the period January 2018 to January 2019, as this was the latest information available on compiling the accounts. However, the March 2019 index was subsequently available and resulted in a material movement in the valuation of these assets. As the same methodology was used by the Council in prior years we evaluated the impact on the 2017/18 reported valuation (upwards movement of £40 million) and that for the opening valuation at 1 April 2017 (downward movement of £21 million). As the movement for 2017/18 is material the Council restated the opening position and corrected for the £66 million downward movement in 2018/19.</p> <p>We identified three instances where asset disposals had been accounted for as revaluation movements as opposed to gains/losses on the disposal of assets. This totalled £22.9 million and was corrected in the financial statements.</p> <p>We also identified two instances where updated valuations for certain assets were not reflected in the accounts. This related to the Major Sporting Facilities assets (difference of £3.8 million) and certain assets using BCIS indices (difference of £4.4 million). These were reported as uncorrected misstatements.</p> <p>No other significant issues were identified. Our testing confirmed that methodologies were appropriate and the valuations were supportable.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other area of audit focus (higher inherent risk)	Conclusion
<p>Accounting for valuation of the Local Government Pension Scheme</p> <p>The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) administered by the South Yorkshire Pension Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £904.2 million (£776.6 million at 31 March 2018).</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We focused on the following areas:</p> <ul style="list-style-type: none"> ▶ The reasonableness of the underlying assumptions used by the Council's expert, Mercer, including those associated with recent judgements on McCloud and Guaranteed Minimum Pensions (GMP). ▶ Ensuring the information supplied to the actuary in relation to the Council was complete and accurate. ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Mercer. ▶ Liaising with the auditors of South Yorkshire Pension Council, Deloitte, to obtain assurances over the information supplied to the actuary in relation to the Council. ▶ Performing our own procedures to gain assurance over the reported scheme assets. <p>As a result of our work management processed an adjustment of £27 million to increase the net liability reported in the financial statements as a result of McCloud. In addition, a judgmental uncorrected misstatement for £3.1m was reported in relation to GMP.</p> <p>No other issues have been identified in completing our work.</p>
<p>PFI and service concession arrangements</p> <p>The Council has a number of PFI and service concession arrangements which include several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.</p> <p>As this was EY's first year as appointed auditor to the Council, we were required to gain assurance that the schemes were being accounted for correctly and that the financial statements were supported by underlying documentation and financial models.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> ▶ Reviewed (with the support of EY specialists) the accounting judgements and models to assess the judgements and related accounting treatment in the financial statements. ▶ For each scheme we undertook testing of in-year inputs to the accounting models and agreed relevant entries in the financial statements to year-end outputs from each of the models. ▶ Reviewed associated disclosures within the financial statements to confirm they met Code requirements and were reflective of supporting documentation. <p>Our procedures identified several accounting differences across the PFI schemes. The most significant of these related to the Waste PFI where we identified that the deferred revenue element of the scheme was not separated out within the model or financial statements. We also identified differences across Schools 1, 2 and 3 and Bradfield schemes. The cumulative differences were reported as uncorrected misstatements.</p> <p>No other issues were identified.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other area of audit focus (higher inherent risk)	Conclusion
<p>New accounting standards - IFRS 9 and IFRS 15</p> <p>IFRS 9 - financial instruments: This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and has changed how financial assets are classified and measured; how the impairment of financial assets are calculated; and the disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9.</p> <p>IFRS 15 - Revenue contracts with customers: This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non-domestic rates and government grants will be outside the scope of IFRS 15.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">▶ Assessed the Council's implementation arrangements and impact assessment papers setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19.▶ Considered the classification and valuation of financial instrument assets.▶ Reviewed the new expected credit loss model impairment calculations for assets.▶ Considered the application of IFRS 15 on the Council's revenue streams, and where relevant tested to ensure revenue is recognised when (or as) it satisfies a performance obligation. <p>We had no issues to report as a result of completing our planned procedures.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £24.5m, which is 1.8% of gross expenditure on provision of services reported in the accounts. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit & Standards Committee that we would report to the Committee all audit differences in excess of £1.2m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

Members allowances, officers remuneration and related parties: As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. Errors in the note that affect the rounding or recording of individuals within bandings would be considered material.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



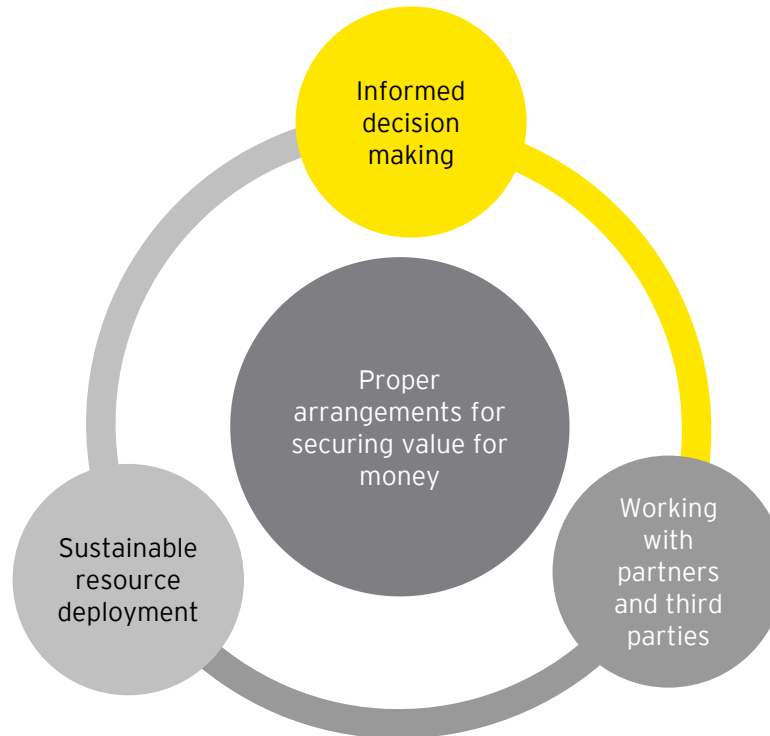
04 Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



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We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 30 September 2019.

Significant Risk	Conclusion
<p>Securing Financial Resilience</p> <p>Arrangements impacted: Deploy resources in a sustainable manner</p> <p>The financial environment in which the Council operates continues to be challenging with continued reductions in funding and increasing demand for services. The Council has responded well to challenges and delivered significant and continued levels of savings (£460m since 2010) whilst maintaining services for the local population.</p> <p>The financial position reported to Cabinet to month 11, identified that the Council was forecasting a £6.5m overspend for 2018/19 which was highlighted as potentially reducing slightly by the year-end. This included a £15m overspend within Adult and Children's social care budgets, after additional investment of £15m in these areas for 2018-19. The approved 2019-20 budget identified a balanced position for the year and included an additional £20m investment in social care services. The balanced position did however include a planned £11m use of Council reserves.</p> <p>The reported financial performance highlighted the importance of increased focus on delivery of savings in overspending areas, service transformation and ongoing investment in key areas. Whilst the Council has a good track record of delivering savings and had a reasonable level of reserves, the trajectory of overspending is not sustainable in the medium to long term and services will need to be transformed to tackle pressures and meet savings requirements in supporting the Council 4 year plan to bring the budget back to balance.</p>	<p>The scale of savings and service transformation to be delivered by the Council over the medium term are significant.</p> <p>The Council has a level of general fund reserves (£8.1 million at 31 March 2019) which represents 2.0% of the 2018/19 net budget requirement of £401.9m. This is a decrease of 2.7% compared to the prior year and is below the minimum level recommended by the Executive Director of Resources, mainly as a result of a £4.6m overspend in 2018/19. The Council plan to return the reserve to the minimum recommended level of 3% of net revenue expenditure during 2019/20.</p> <p>The Council also has in place substantial levels of usable earmarked reserves (£226.8 million at 31 March 2019), of which £24m relates to Schools balances. These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council's prudent approach to financial management. We note that these include service areas reserves of £14m and children and adult social care reserves of £19m. It is forecast that £8.4m of this reserve will be required to fund pressures in 2019-20 and deliver a balanced budget.</p> <p>The final budget for 2019/20 was presented to Council and approved on 6 March 2019. This sets out a balanced position after the use of £11m of reserves. The Council has invested a further £20m in social care services following overspends again in 18/19 to transform services in this area. The use of reserves is dependent on achievement of the savings target for the year of £30m which is supported by plans by portfolio which are published on the Council's website. Over the next 4 years the planned use of reserves is £35m of reserves, which is dependent on savings of £70m and delivery of savings through Health Joint Commissioning.</p> <p>The budget relies upon a number of potentially non-recurrent items (e.g. use of reserves, contribution from the Collection Fund, Social Care Funding) and the Council have developed a 4 year budget tracker to model the impact of budget, best case and current assessment scenarios. As of June 2019 the modelled reserve usage is as follows:</p> <ul style="list-style-type: none"> ▶ A best case of £6.1m ▶ The budget case of £34.7m; ▶ A current assessment of £71.8m - which would be predominantly driven by £10.3m slippage in savings in 2020/21, the impact for three years being £30.9m. <p>Whilst the Council faces continued financial pressures, our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivering savings plans has not identified any significant matters that we wish to report to you.</p>



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We completed this work and had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Standards Committee on 25 July 2019 and then provided an updated report on 23 September 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.



Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Whilst it is not considered to be a significant deficiency we have experienced some difficulties in obtaining evidence in relation to school balances included within the financial statements. This has meant that in a number of instances we have been required to perform alternative procedures to gain assurances over the material accuracy of balances included in the financial statements. This has extended to the receipt of bank confirmations where c20 confirmations remain outstanding (out of c90 school bank accounts).

We have discussed the above with management and have agreed to revisit the audit of school balances early in the 2019/20 audit process to ensure there is an understanding of key audit requirements to facilitate the receipt of information from schools.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



08 Audit Fees

Audit Fees

Our fee for 2018/19 is set out below. Additional fee elements are still subject to agreement with management and the PSAA.

	Final fee 2018/19	Scale fee 2018/19
	£	£
Total Fee - Code work	143,988	143,988
Additional fees:		
- Pension asset testing	17,725	-
- GMP and McCloud	3,479	-
- Property, Plant and Equipment issues	11,210	-
- Schools balances	2,498	-
- Financial statement amendments and prior year adjustments	1,460	
Total audit	180,360	143,988
Other non-audit services not covered above (Housing Benefits)	26,200 - 27,400	N/A
Teachers' Pensions	9,500	N/A
Housing capital receipts pooling	TBC	N/A
Total other non-audit services	35,700 - TBC	N/A
Total fees	216,060 - TBC	143,988

Due to the increase in audit procedures required to address the additional risks and audit findings we will need to increase our audit fee. This will result in an revised audit fee as set out above. We will discuss and agree this with the S151 officer before gaining approval from Public Sector Audit Appointments Ltd. Once agreed we will provide you with an update in subsequent reporting documents.

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REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE **23rd Jan 2020**

Internal Audit Tracker Report on Progress with Recommendation Implementation

Purpose of the Report

1. The purpose of this 'rolling' report is to present to members of the Audit and Standards Committee progress made against recommendations in audit reports that have been given a high opinion (using the old system), a no assurance opinion, or a limited assurance with high organisational impact opinion (using the new system).
2. As the report tracks recommendations until they have been fully implemented, there will be a period when reports are included that use both the old and new style of internal audit opinion.

Introduction

3. An auditable area receiving one of the above opinions is considered by Internal Audit to be an area where the risk of the activity not achieving objectives is high and sufficient controls were not present at the time of the review. All reports will have been issued in full to members of the Audit and Standards Committee at their time of issue.
4. Where Internal Audit has yet to undertake follow up work, the relevant Portfolio managers were contacted and asked to provide Internal Audit with a response. This work included indicating whether or not the recommendations agreed therein have been implemented to a satisfactory standard. Internal Audit clearly specified that as part of this response, managers were required to provide specific dates for implementation, and that this information was required by the Audit and Standards Committee.
5. This report also details reviews that Internal Audit proposes to remove from future update reports because all agreed recommendations have now been implemented. The Audit and Standards Committee is asked to support their removal.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

1. That the Audit and Standards Committee notes the content of the report.
2. That the Audit and Standards Committee agrees to the removal of the following reports from the tracker:
 - Training Centres - Recovery Planning and Monitoring (People)
 - The Licensing Service (Place)

Executive Summary

Reports received in full by the Committee

As agreed, the Audit and Standards Committee members will receive, in full, reports with no assurance (regardless of the organisational impact) and limited assurance with a high organisational impact. In addition, limited assurance, medium impact opinion reviews would be reported on a discretionary basis.

Four reviews were added to the Recommendation Tracker report in July 19. These have not yet been the subject of an audit follow-up review due to longer than usual implementation dates and so will be included in the next report.

These reports are:

- Software Licensing (Resources)
- Hardware Asset Management (Resources)
- Early Payment to Care Providers (People)
- Enforcement Agent Review (Resources)

The Assistant Director, ICT Service Delivery is attending the Audit and Standards Committee meeting in January to provide members with an update specifically covering Software Licensing and Hardware Asset Management.

New reports added to the Tracker

For this period, no new reports have been added. There are a number of reports that are progressing through the Internal Audit discussion process and these will be reported to members in due course.

Recommendation implementation

In total, updates have been provided on 10 out of 11 recommendations that are due for implementation. Of these, 3 (30%) have been implemented and 7 (70%) are ongoing, indicating work has been started but not yet fully completed. For one recommendation, no update was provided despite repeated requests.

Items to note

Of two critical recommendations ongoing in the last update report, both remain ongoing. These are contained within the OHMS application review and relate to arrangements for changing the application host and upgrading the system. Progress has been delayed due to the ongoing insourcing of the Capita IT contract, with action now being scheduled for June 2020.

Report to EMT

The tracker report was circulated to the Executive Management Team on the 7th Jan 2020.

UPDATED POSITION ON TRACKED AUDIT REPORTS AS AT JAN 2020

The following table summarises the implementation of recommendations, by priority, in each audit review.

Audit Title	Total				Complete				Ongoing				Outstanding	
	Critical	High	Medium	Ec/eff	Critical	High	Medium	Ec/eff	Critical	High	Medium	Ec/eff	High	Medium
OHMS Application Review	2								2					
Revenues and Benefits Contact Centre		1	1				1			1				
The Licensing Service			1				1							
Training Centres		1				1								
Subject Access Requests		1			No update provided									
Controls in Town Hall Machine Room		1								1				
Appointeeship Service		1								1				
Council Processes for Management Investigations		2								2				
Total	2	7	2			1	2		2	5				

Shaded items to be removed from the tracker

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1. OHMS Application Review (Corporate) (issued to Audit and Standards Committee 24.5.18)

As at July 2018
 This report was issued to management on the 4.1.18 with the latest agreed implementation date of 30.4.18. An Internal Audit follow-up review has been completed and the results are included below.

As at Jan 2019
Internal Audit: An update of progress with the 5 recommendations ongoing in the last report is provided below.

As at Jul 2019
Internal Audit: An update on progress with two recommendations ongoing in the last report is included below.

As at Jan 2020
Internal Audit: one of the remaining two recommendations was due to for implementation within the timescales for completion of this report. The result is included below

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Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position provided by Service Manager, Systems and Business Information on 17.12.19.
1.1	Discussions should now take place between the systems team and BCIS to determine the likely extent of any outage and the implications of this. An options paper should then be prepared to explore the business continuity arrangements required in the absence of formalised disaster recovery arrangements.	1 - Critical	Maxine Stavrianakos, Head of Neighbourhood Intervention & Tenant Support	April 2018 Revised implementation date: 30.6.2020	<p>Action ongoing</p> <p>It has been agreed by BCIS and HLT to move the hosting of OHMS from Capita to the supplier, Northgate as part of ending the Capita IT contract and the Tech 2020 changes. This was planned for quarter 3 19/20, however for several reasons and issues, the OHMS application will continue to be hosted by Capita until June 2020.</p> <p>This was proposed and agreed between BCIS and Capita.</p>

1.2	Because the system is not currently up to date and considerable expense and effort will be required to enable this, it is recommended that an options review is undertaken to ascertain what the best method is to take the application forward. This should include the do nothing option, update the current version with a view to moving to the new product or to look at other potential solutions. This will need input from the Housing Service to ensure that the solution adopted is the most cost effective in delivering their service requirements.	1 - Critical	Maxine Stavrianakos, Head of Neighbourhood Intervention & Tenant Support	April 2018 Revised implementation date: 30.9.2020	Action ongoing The OHMS application will be upgraded to the latest version after the hosting arrangement has been resolved.
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2. Revenues and Benefits Contact Centre (Resources) (issued to Audit and Standards Committee 24.10.17)

As at Jan 2018
This report was issued to management on the 10.10.17 with the latest agreed implementation date of 31.12.17. Due to the timescales for completion of this report, an update on progress with recommendation implementation will be included in the next tracker report.

As at July 2018
A progress update on the agreed recommendations is included below

As at Jan 2019
Internal Audit: An update of progress with the 4 recommendations ongoing in the last report is provided below.

As at Jul 2019
Internal Audit: An update on progress with recommendation implementation is included below.

As at Jan 2020
Internal Audit: An update on progress with the two remaining recommendations is included below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position provided by Revenues and Benefits Client Team 2.1.20.
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2.1	Strategic and operational management in Customer Services and Revenues & Benefits should review Revenues & Benefits contact centre performance and to ensure the KPI is realistic and can be achieved in line with other service pressures and resources.	2 – High	<p>Paul Taylor, Head of Customer Services</p> <p>Andrea Gough, Service Delivery Manager, Customer Services</p> <p>Tim Hardie, Head of Commercial Business Development</p> <p>John Squire, Finance Manager Revenues and Benefits Client Team</p>	<p>31st December 2017</p> <p>Revised implementation date: 28.2.20</p>	<p>Action ongoing</p> <p>Customer Service Management Comments</p> <p>A plan of improvement measures was agreed in late 2017; although some timescales have slipped the areas under discussion are still live. This plan was also shared during Briefing Sessions for the staff team and their input was welcomed.</p> <p>Agreement was given for the Contact Centre to procure a telephony system ahead of the rest of the Council. The new system will be operational by late February 2020. Under this new system callers will either have their call answered or will join a queue where they will be told approximately how long they will be waiting for their call to be answered. This means that callers can make an informed choice as to whether they wish to wait for their call to be answered or to call back at a less busy time.</p> <p>In the longer term the new telephony system also offers the possibility of web chat conversations (real time conversations by text) and the potential for callers to ask to be called back. We are also giving some thought as to whether Revenues and Benefits could make some use of our existing out of hours contact centre.</p> <p>The “back office” (processing) Revenues and Benefits team re-joined Sheffield City Council as part of the insource from Capita on 6th January 2020.</p> <p>In the medium term the expectation is that having both front and back-end operations in-</p>
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					<p>house will give scope for greater flexibility, including e.g. moving more resources onto the telephones at times (e.g. the billing run) when we know that things will be particularly busy.</p> <p>In preparation for the insource a Customer Experience discovery piece was commissioned by BCIS at the request of Resources Leadership Team. The findings of this work are now being channelled into an action plan as well as feeding into the SCC-wide Customer Access/Customer Experience work which is under way.</p> <p>Finally we are seeing a clear impact from the rolling introduction of Universal Credit in Sheffield; as housing costs are paid as part of this benefit we are now seeing a marked decrease in the numbers of housing benefit claimants calling the Revenues and Benefits team.</p>
2.2	Management should ensure that all staff have an appraisal and complete a learning and development plan, as per the corporate requirements.	3 –Medium	Andrea Gough, Service Delivery Manager, Customer Services	30th October 2017 Revised implementation date: 31.8.19	<p>Action complete</p> <p>All staff are now up to date with PDR's.</p>

3. The Licensing Service (Place) (to be issued to Audit and Standards Committee 22.11.17)

As at Jan 2018

This report was issued to management on the 22.11.17 with the latest agreed implementation date of 31.3.18. An update on progress with recommendation implementation will be included in the next tracker report.

As at July 2018

An Internal Audit follow-up review has been completed and the results are included below.

As at Jan 2019

Internal Audit: An update of progress with the 9 recommendations ongoing in the last report is provided below.

As at Jul 2019

Internal Audit: An update on progress with the final recommendation remaining is included below.

As at Jan 2020

Internal Audit: An update on progress with the final recommendation remaining is included below.

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Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position taken from Place Sharepoint Tracker 17.12.19
3.1	Deadlines should be set for the prompt development and implementation of the service Business Continuity Plans. Once completed, this should be rolled out to officers as well as members of the Licensing Committee.	Medium	Head of Licensing Service	31/12/17 Revised implementation date: 31/07/19	Action complete Business Continuity Plan for Licensing Service has been completed, signed off by Licensing Management Team and circulated to all staff. After consideration and in consultation with Internal Audit, it has been decided that the BCP is not relevant to the Licensing Committee so this element of the recommendation will not be undertaken.

Internal Audit proposes to remove this item from the tracker.

4. Training Centres - Recovery Planning and Monitoring (People Services) (issued to Audit and Standards Committee 27.6.17)

As at Jan 2018

This report was issued to management on the 13.6.17 with the latest agreed implementation date of 30.9.17. An Internal Audit follow-up review has been completed and the results are included below. 15 of the original 27 recommendations remain outstanding and this is largely linked to the changing context of SCC and the People Portfolio priorities and the refreshed vision for Learning, Skills and Employment. In addition both the previous Director and the Assistant Director have retired.

As at July 2018

SCC – Internal Audit Report

17 recommendations were either on-going or outstanding at the last update. Progress has been made, with 11 recommendations now complete and 6 ongoing.

As at Jan 2019

Internal Audit: An update of progress with the 6 recommendations ongoing in the last report is provided below.

As at Jul 2019

Internal Audit: An update on progress with 2 recommendations ongoing in the last report is provided below.

As at Jan 2020

Internal Audit: An update on progress with the final recommendation remaining is included below.

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Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position provided by the Strategic Support and Development Manager on 29.11.2019
4.1	Management should look to develop a simple, concise 'financial performance dashboard/report' that can be prepared on a more regular/timely basis. If possible the information included should still include a breakdown of the actual expenditure and forecasted outturn position for individual areas of income and expenditure, as this provides useful information that Management can use when evaluating progress against recovery plans, and determining areas where further savings could potentially be made (if necessary).	High	S.Bulman - Strategic Support and Development Manager, LLS	31.7.17 Revised Timescale: 31.12.18	Action Completed The replacement data system is operational and from it we are able to obtain the latest recruitment and income figures for the training sites. Information can be extracted from this system and will be used to populate financial reports presented to SMT. From October 19 these meetings will take place on a monthly basis with reports that show income and expenditure against budget and progress against the yearly recruitment/income forecasts.

Internal Audit proposes to remove this item from the tracker.

5. Subject Access Requests (CYPF) (issued to Audit and Standards Committee 28.4.17)

As at July 2017

SCC – Internal Audit Report

This report was issued to management on the 18.1.17 with the latest agreed implementation date of 31.10.17. Due to the timescales for completion of this report, an update on progress with recommendation implementation will be included in the next tracker report.

As at Jan 2018

A follow-up audit was undertaken in December 2017. The results are reproduced below. Of 7 agreed recommendations, 4 are complete and 3 are ongoing.

As at July 2018

3 recommendations remained ongoing from the previous update. 1 of these has now been actioned, with 2 being linked to the SCC2020 Records Management Project.

As at Jan 2019

Internal Audit: An update of progress with the 2 recommendations ongoing in the last report is provided below.

As at Jul 2019

Internal Audit: An update on progress with 2 recommendations ongoing in the last report is provided below.

As at Jan 2020

Internal Audit: Despite multiple requests, an update on progress with the final recommendation has not been provided to Internal Audit. The statement below is that provided at the last update.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Position statement from last Tracker Report
5.1	A Portfolio data map should now be produced for responding to subject access requests. This should clearly detail the routine information that should be checked when a subject access request is received, where this can be located and who is responsible for this source of information.	2 - High	Elyse Senior-Wadsworth, Service Manager - Business Support	31.10.17 Revised Timescale 30.9.19	Action ongoing Data map draft is now in place but will be kept under review as Records Management work progresses. No further update provided

6. Controls in Town Hall Machine Room (Resources) (issued to Audit and Standards Committee 24.5.17)

As at July 2017

SCC – Internal Audit Report

This report was issued to management on the 27.4.17 with the latest agreed implementation date of 31.12.17. An update on progress with recommendation implementation will be included in the next tracker report.

As at Jan 2018

An update on progress with recommendation implementation was requested. It is acknowledged by Internal Audit that not all the recommendations are due for implementation as at the date of update.

As at July 2018

A progress update on the 2 outstanding recommendations is included below. 1 action has been completed and 1 is now part of the wider SCC2020 programme of work.

As at Jan 2019

Internal Audit: The timescale for implementation of this recommendation is March 2019 and so a further update has not been requested.

As at Jul 2019

Internal Audit: An update on progress with final recommendation ongoing in the last report is provided below.

As at Jan 2020

Internal Audit: The revised implementation date for the final recommendation has not been reached however an IT update is on the agenda for the January Audit and Standards Committee meeting and this will cover the work being undertaken on ICT business continuity.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position provided by Assistant Director ICT Service Delivery
6.1	Working in conjunction with the Capita Security Manager, management should ensure that there are appropriate business continuity arrangements in place for the room following a full business impact analysis. This should be completed once the roles and responsibilities in relation to the room have been clearly formalised and documented.	2 - High	Mike Weston, Assistant Director ICT Service Delivery	31.12.17 Revised Timescale 31.1.20	Action Ongoing The equipment in this room will be replaced by AN, the Council's new datacentre provider, as a result of the transition away from Capita. The Corporate Resilience Group has provided feedback on disaster recovery requirements for

					core applications and these are currently being assessed by ANS to determine the costs of building application disaster recovery. However the new arrangements are unlikely to be in place before Capita exit SCC in January 2020.
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7. Appointeeship Service (People) (issued to Audit and Standards Committee 22.7.16)

As at Jan 2017
 This report was issued to management on the 11.7.16 with the latest agreed implementation date of 30.11.16. Due to the timescales for completion of this report, an update on progress with recommendation implementation will be included in the next tracker report.

As at July 2017
 A follow-up audit was undertaken in Feb 2017. Following this review, a number of recommendations were given revised implementation dates which have since passed and so the Head of Service has been contacted. The results reproduced below are a therefore a combination of the outcome of the follow-up review (where an audit opinion is given), and the managers update. Of 36 agreed recommendations, 28 have been completed, 7 are ongoing and 1 is outstanding.

As at Jan 2018
Internal Audit: An update of progress with the 8 recommendations ongoing in the last report was provided by the SCAS Service Manager, the results are reproduced below. It should be noted that the SCAS service has moved to the People Portfolio and is now overseen by the Head of Business Planning, Strategy and Improvement, People Services rather than the Head of Neighbourhood Intervention and Tenant Support. 5 recommendations were stated to have been implemented with 3 remaining as ongoing.

As at July 2018
 An update of progress with the 3 recommendations ongoing in the last report is provided below. All 3 recommendations remain ongoing – 2 recommendations are being addressed through the introduction of the new Whole Case Family Management system, and 1 item relates to the corporate roll-out of the Fraud e-learning package and so is beyond the control of the Service. This item is being actioned by Internal Audit in consultation with the Learning and Development Service.

As at Jan 2019
Internal Audit: An update of progress with the 3 recommendations ongoing in the last report is provided below.

As at Jul 2019
Internal Audit: An update on progress with 3 recommendations ongoing in the last report is provided below.

As at Jan 2020
Internal Audit: An update on progress with the final recommendation remaining is included below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position on 17.12.19
7.1	Fraud awareness training should be undertaken, for all staff, ideally to be completed before the start of the next financial year.	High	Maxine Stavrianakos - Head of Neighbourhood Intervention and Tenant Support, Communities Charles Crowe - SCAS Service Manager, People Services	31.8.16 Revised Timescale 31.8.19	Action ongoing This remains ongoing, awaiting corporate roll out of revised fraud training.

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8. Council Processes for Management Investigations (Corporate) (issued to Audit and Standards Committee 21.11.16)

As at Jan 2017
 This report was issued to management on the 20.9.16 with the latest agreed implementation date of 31.12.16. Due to the timescales for completion of this report, an update on progress with recommendation implementation will be included in the next tracker report.

As at July 2017
 An update on progress made with the recommendation implementation is included below. Of 16 recommendations agreed, 10 have been implemented and 6 are ongoing.

As at Jan 2018
Internal Audit: An update of progress with the 6 recommendations ongoing in the last report is provided below. 1 has been completed and 5 are ongoing – all of these relate to the same action to refresh and roll-out guidance and training.

As at July 2018

SCC – Internal Audit Report

An update of progress with the 5 recommendations ongoing in the last report is provided below.

As at Jan 2019

Internal Audit: An update of progress with the 3 recommendations ongoing in the last report is provided below.

As at Jul 2019

Internal Audit: An update on progress with 2 recommendations ongoing in the last report is provided below.

As at Jan 2020

Internal Audit: An update on progress with the two remaining recommendations is included below.

Ref	Recommendation	Priority	Original Responsible Officer	Original Implementation Date	Updated position - provided Finance Manager, Internal Audit 17.12.19.
8.1	Internal Audit should review and update the counter fraud training course on line. There should be a corporate mandate for all employees to undertake this training by the end of the year.	High	Stephen Bower, Finance Manager, Internal Audit	31.12.16 Revised Timescale 31.3.20	Action ongoing Now that the policy and procedure documents have been updated, the e-learning package has been redrafted to tie in with the new/revised policies. This will be submitted to the Learning and Development team to convert into an e-learning module.
8.2	The fraud e-learning should be updated and be mandatory for all service staff to complete. This will ensure that all staff have adequate training and knowledge to identify potential fraud at early stage and take the appropriate action, further aiding consistency across the Council.	High	Lynsey Linton, Head of Human Resources Stephen Bower, Finance Manager, Internal Audit	31.12.16 Revised Timescale 31.3.20	Action ongoing As above Progress has been delayed due to unplanned investigation work taking priority.

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Audit and Standards Committee Report

Report of: Director of Legal and Governance

Date: 23rd January 2020

Subject: Work Programme

Author of Report: Abby Brownsword, Democratic Services
(Tel - 0114 273 5033)

Summary:

The report provides details of an outline work programme for the Committee.

Recommendations:

That the Committee:-

(a) considers the Work Programme and identifies any further items for inclusion;
and

(b) approves the work programme.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
NO Cleared by:
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
NONE
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

WORK PROGRAMME

1. Purpose of Report

1.1 To consider an outline work programme for the Committee.

2. Work Programme

2.1 It is intended that there will be at least five meetings of the Committee during the year with three additional meetings arranged if required. The work programme includes some items which are dealt with at certain times of the year to meet statutory deadlines, such as the Annual Governance Report and Statement of Accounts, and other items requested by the Committee. In addition, it also includes standards related matters, including an annual review of the Members Code of Conduct and Complaints Procedure and an Annual Report on the complaints received.

2.2 As discussed at the meeting of Audit and Standards Committee held on 19th December 2019, the Standards items scheduled to be discussed in January 2020 have been moved to the meeting to be held on 20th February 2020.

2.3 An outline programme is attached and Members are asked to identify any further items for inclusion.

3. Recommendation

3.1 That the Committee:-

- (a) considers the Work Programme and identifies any further items for inclusion;
and
- (b) approves the work programme.

Gillian Duckworth
Director of Legal and Governance

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Audit and Standards Work Programme 2019-20

Date	Item	Author
23 January 2020	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	Annual Audit Letter 2018/19	Ernst and Young (External Auditors)
	Universal Credit	Tim Hardie (Director of Finance and Commercial Services)
	Strategic Risk Management	Helen Molteno (Corporate Risk Manager)
	Update on the Insourcing of ICT	Mike Weston (Assistant Director of ICT Service Delivery)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
20 February 2020	Review of Member's Code of Conduct	Gillian Duckworth (Director of Legal and Governance)
	Review of Standards Complaints Procedure	Gillian Duckworth (Director of Legal and Governance)
	Annual Standards report	Gillian Duckworth (Director of Legal and Governance)
	AGS Half Yearly Update	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
19 March 2020	(Additional meeting if required)	
16 April 2020	Internal Audit Plan 2019/20	Kayleigh Inman (Senior Finance Manager)
	Compliance with International Auditing	Dave Phillips (Head of

Audit and Standards Work Programme 2019-20

	Standards	Strategic Finance)
	Formal Response to Audit (ISA 260) Recommendations	Dave Phillips (Head of Strategic Finance)
	Certification of Claims and Returns Annual Report 2018/19	Ernst & Young (External Auditor)
	External Audit Plan 2019/20	Ernst & Young (External Auditor)
	Annual Audit Fee Letter 2019/20	Ernst & Young (External Auditor)
	Whistleblowing Policy Review and Update	Gillian Duckworth (Director of Legal and Governance)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
June/July 2020	Audit Training	External Facilitator (Gary Bandy)
11 June 2020	Summary of Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Internal Audit Annual Fraud Report	Kayleigh Inman (Senior Finance Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)
30 July 2020	Report to Those Charged with Governance (ISA 260)	Ernst & Young (External Auditor)
	Statement of Accounts	Dave Phillips (Head of Strategic Finance)
	Annual Governance Statement	Gillian Duckworth (Director of Legal and Governance)
	Annual Internal Audit Opinion Report	Kayleigh Inman (Senior Finance Manager)

Audit and Standards Work Programme 2019-20

	Information Management Annual Report	Mark Jones (Senior Information Management Officer)
	Progress on High Opinion Audit Reports	Kayleigh Inman (Senior Finance Manager)
	Update on New Telephony System	Paul Taylor (Head of Customer Services)
	Update on Standards Complaints	Gillian Duckworth (Director of Legal and Governance)
	Strategic Risk Management	Helen Molteno (Corporate Risk Manager)
	Work Programme	Gillian Duckworth (Director of Legal and Governance)

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