

Audit and Accounts Committee

Conducted as a face-to-face meeting in public at 100 Embankment, Cathedral Approach, Salford.

Date: 30 July 2021

Meeting commenced: 10:07a.m.

Meeting ended: 11:39a.m.

Present in Person:

Councillors: Robin Garrido (in the chair), Gina Reynolds and Alex Shama.

Officers:

Chris Hesketh	Head of Financial Management
Carol Eddleston	Senior Democratic Services Advisor

In Attendance via MS Teams:

Simon Bleckly	Head of Internal Audit
Joanne Hardman	Chief Finance Officer
Shoab Mohammad	Assistant Director – Technical Services
Jacquie Russell	Assistant Director – Strategy and Performance
Tony Thompstone	Strategic Finance Manager
Karen Murray	External Auditor Mazars

1. Apologies for Absence

Apologies for absence were submitted on behalf of committee members Councillors Roger Jones, Mike Pevitt, Phil Tresadern & Ray Walker, co-opted members Edoardo Bucci & Vittoria Bugana, Interim City Solicitor David Wilcock and Lead Member for Finance & Support Services Councillor Bill Hinds.

2. Inclusion of the Items Listed on the Agenda

RESOLVED, THAT: that the items included on Part 1 of the agenda be approved for discussion and it be noted that there were no items of business in Part 2.

3. Declarations of Interest

There were no declarations of interest.

4. Minutes of the Last Meeting

RESOLVED, THAT: the minutes of the meeting held on 23 June 2021 be approved as a true and correct record.

5. Matters Arising

Minute 11 b *Member Training*: It was confirmed that a remote training session would be arranged in the second half of August for members who had been unable to attend the session held on 7th July 2021. Councillor Robin Garrido urged members to attend as, although not mandatory, the training was invaluable in helping members to understand the strategies, policies & documents within the committee's remit and their role in receiving, scrutinizing and approving them.

6. Code of Corporate Governance and Draft Annual Governance Statement

The Head of Internal Audit introduced the two items, explaining that the Code of Corporate Governance was a public document which detailed the framework and arrangements that the Council had in place to ensure its corporate governance arrangements were legally compliant, transparent and appropriate. The Annual Governance Statement was effectively a review of the effectiveness of the framework and arrangements over the 12-month period in scope. Consequently, the two documents were very similar and it made sense to present them together.

He highlighted the following:

- Corporate governance was about how the Council ensured it was doing the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable manner.
- In line with the seven principles of good governance identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE), the Code identified the internal controls that the Council had developed to ensure good governance.
- The Code was reviewed annually and any weaknesses or opportunities for continuous improvement identified were fed into the Annual Governance Statement in the form of an action plan which would be kept under review by the internal Corporate Governance Group throughout the year.
- The Code had been updated to reflect the impact of the COVID-19 pandemic, identifying changes that had resulted from the pandemic and the impact of the effectiveness of the arrangements in place.
- The Annual Governance Statement took account of changes to structures, governance procedures, policies and corporate objectives that had occurred since the last update and looked at issues facing the Council in the coming financial year, including the ongoing response to COVID-19 and arrangements for returning to business as usual.
- Sources of assurance for the review of the effectiveness of the framework and arrangements included: Member scrutiny in this committee and the overview and scrutiny panels, Corporate Management Team, Internal Audit, internal Corporate Governance Group, External Audit and feedback and findings from any external inspections.
- The Draft Annual Governance Statement had been submitted to External Audit along with the draft Statement of Accounts and any changes requested by members could be incorporated up until the Statement of Accounts was agreed in September.

In conclusion the Head of Internal Audit believed that the Council had a sound system of internal control in place to support the achievement of the Council's objectives throughout the year.

The chair thanked the Head of Internal Audit for presenting what he considered to be amongst the most important of the Council's documents and invited questions and comments from the members present:

- In response to a question from Councillor Gina Reynolds, the Assistant Director Strategy and Performance explained that she was the Senior Information Risk Owner (SIRO) for the Council as a whole and that Debbie McCarron was the Council's Data Protection Officer.
- In response to a question from Councillor Shama about the measures that were in place to mitigate against the financial, governance, legal and reputational risks of the Council failing to maintain robust internal controls and complying with legislation and regulations, the Assistant Director Strategy and Performance explained that service and strategic risk registers were fundamental to how the Council assessed, monitored and reported risks and their mitigations.
- Councillor Gina Reynolds noted the references to the Workforce Health and Wellbeing Strategy in both the Code and the draft AGS and asked for reference to be added to the Health & Wellbeing Steering Group which was chaired by Councillor Barbara Bentham.
- Councillor Gina Reynolds queried the reference in the Draft Annual Governance Statement to an Adult Social Care Commissioning Group chaired by the Director of Adult Social Care.

[Clerk's note: it has subsequently been confirmed that this reference is correct. The ASCCG has been chaired by Charlotte Ramsden in her capacity as Director of Adult Social Services since the creation of the SCO. It is her assurance meeting with the Council's Assistant Directors for Integrated Commissioning and SCO (ASC) directors & heads of service].

RESOLVED, THAT:

1. Subject to the comments above, the updated Code of Corporate Governance be approved, and
2. Subject to the comments above, and to any further requests from members for changes or additions following the meeting, the Draft Annual Governance Statement be approved.

7. Draft Statement of Accounts

The chair opened this item by saying that circulation of the draft was the start of the process leading ultimately to the approval of the Statement of Accounts. Members now had an opportunity to raise any questions on the draft statement between this meeting and the end of September when the final version was presented to the committee for approval.

The Chief Finance Officer was pleased to confirm that the council had met the deadline for submission to the External Auditors. She took the opportunity to express her thanks to the team who had worked extremely hard to compile the draft statement by the deadline in more challenging times than ever. She acknowledged that the accounts were lengthy and complex, but she informed the meeting that she and Finance colleagues were available to talk through any queries that members might have.

The Head of Financial Management said he hoped that any changes to the audited statement which came before committee in September would be only presentational in nature rather than material.

He highlighted the following from the draft statement:

- Comprehensive Income and Expenditure Statement [page 131 of the pack, page 37 of the statement itself] – essentially the profit and loss statement showing the accounting cost of providing services
- Movement in reserves statement [page 133 of the pack, page 39 of the statement] – important for financial resilience issues
- Balance Sheet [page 136 of the pack, page 42 of the statement] – illustrated the net worth of the council in terms of assets and how they were backed up by reserves
- Cash flow statement [page 137 of the pack, page 43 of the statement] – showed changes in cash and cash equivalents and reconciled back to the Comprehensive Income and Expenditure Statement
- Notes to the accounts [page 138 of pack, page 44 of the statement] – provided extra detail on the main statements, exemplifying where appropriate
- Notes [from page 139 of pack, page 45 of the statement] which may be of particular interest to members included:
 - o Note 5 – Assumptions about the future & other major sources of estimation uncertainty
 - o Note 10 – Movements in earmarked reserves
 - o Note 24 – Usable reserves
 - o Note 25 – Unusable reserves
 - o Note 34 – Members' allowances
 - o Note 35 – Officers' remuneration
 - o Note 46 – Defined benefit pension schemes

The draft statement would shortly be open for public inspection on the Council's website and members of the public could ask questions directly of the External Auditors. Council officers would willingly assist members of the public in understanding the accounts and in answering any questions they and elected members had.

The chair thanked the Chief Finance Officer and the Head of Financial Management for their overview of the draft statement and acknowledged that it would be difficult for members to ask detailed questions at this stage as the draft had been finalised only the previous evening. He endorsed the Chief Finance Officer's comments about the difficulty, and the enormity, of the task given the prevailing circumstances and high expenditure levels over the last 12 months and spoke of his pride in what officers had achieved. On behalf of the committee he thanked all those involved, particularly the Strategic Finance Manager and his team, the Head of Financial Management and the Chief Finance Officer. He invited questions and comments from the members present.

- In response to a question from Councillor Shama about trends, the gap in income and expenditure and adequacy of reserves, the Head of Financial Management confirmed that:
 - As part of the accounting process officers would pick out and explain where and why figures had moved as against the previous financial year, and this was an area that the External Auditors would question such movements. Additionally, but not necessarily part of the accounting process, officers conducted some trend analysis from time to time to look at how figures had moved over time, and how they compared with other authorities around the country in terms of income and expenditure and performance. As local government funding changed dramatically over time it was more difficult to compare figures historically.
 - The Council had a statutory responsibility to set a balanced budget and did so in February / March of each year. Looking at the Comprehensive Income and Expenditure Statement would suggest that the budget was in deficit because it did not reflect council tax and business rates. Using illustrative figures, gross expenditure was around £600m-£700m. This was offset by a big element of income within services such as sales, fees and charges income or commercial income, specific income which went direct to services of around £400m-£500m. The remaining gap of £100m-£200m would then be met from council tax and business rates. Throughout the financial year there would be monitoring of expenditure and income against the budget which was presented through service management teams, CMT, Cabinet and Overview & Scrutiny Board. Towards the end of the financial year a provisional financial outturn would be produced and, to ensure that the budget was balanced at the end of the year, there may need to be an adjustment of the reserves.
 - The Council had a General Fund Reserve of about £13m on a risk assessed basis, set aside to meet general unexpected events for the Council. The CFO was required to measure the level of reserves and give a banding from a minimal required level of reserves to a desired level of reserves. The Council's £13m was above the minimum level required and allowed the accounts to be produced on a 'going concern' basis.
 - The Council also had a range of earmarked reserves greater in value than the General Fund Reserves. These were typically risk assessed to identify a forthcoming risk, e.g., a risk in government funding such as reset of business rates or e.g., as part of the GM 100% Business Rates Pilot Salford currently retained 100% of its business rates but there was a possibility that this would not always be the case. Similarly, there were reserves set aside should the national funding formula for Revenue Support Grant be lower and if the risk share agreement with the CCG for the Integrated Fund were to kick in for Adults' Social Care and Children's Social Care. Whilst a higher level of reserves would always be welcome, the level of reserves the Council had had been risk assessed and was adequate for the risks were known and an element of unexpected risks that might arise in the future.

- The Council had effective Treasury Management arrangements in place to ensure it managed its cash properly for some of the risks that were being managed within the finance function.
- In response to an observation from the chair, the Head of Financial Management confirmed that as part of the budget process the level of reserves was considered alongside any savings that had to be made, and a smoothing reserve was used to cushion the impact of council tax.
- In response to a question from the chair about a breakdown of income against expenditure for large assets such as 100 Embankment and 2 New Bailey, the Head of Financial Management confirmed that there was a note in the statement about PFI and similar assets that gave quite a bit of detail about this kind of transaction over time.

RESOLVED, THAT:

1. The Draft Statement of Accounts be noted,
2. All those involved in their preparation be thanked for their hard work in particularly challenging circumstances, and
3. Any further questions from members on the draft statement be directed to:
Tony.Thompstone@salford.gov.uk or
Chris.Hesketh@salford.gov.uk or
Joanne.Hardman@salford.gov.uk

8. Update on the Transition of Services from Urban Vision to Salford City Council

The Assistant Director Technical Services presented the third update to the committee on the transition of Urban Vision to the Council from 1 February 2020, since which time there had been an enormous amount of activity. The transition programme had now closed following a smooth and seamless transition with minimum disruption to staff and customers.

He highlighted the following:

- A review of how back-office services were delivered was now underway to identify potential areas for improvement. This included working with Data Analysts to identify opportunities for a better digital experience for customers and further integration of standalone systems.
- A Technical Services Framework to the value of £40m was currently being procured for a number of highways operations and it was expected that contractors would be appointed under a range of lots by early autumn.
- Recruitment to a number of management and technical vacancies was ongoing but challenging, particularly given the salary differentials between local government and the private sector, and between Salford City Council and other local authorities in the region.
- Difficulties in filling these posts on a permanent basis posed a key risk to the service and using temporary consultants was very expensive.

The chair thanked the Assistant Director for the update and commended the smooth transition back to the Council. He was concerned about the difficulty in recruiting and asked if it was intended to undertake a full review of salaries and which posts were proving difficult to fill.

The Assistant Director confirmed that a review carried out two years ago had identified that Salford City Council salaries were approximately 40% below those for equivalent roles in the private sector, and approximately 10% to 15% below those for equivalent roles in other local authorities in the region. Although he continued to raise this with HR, thought it unlikely that the council's pay structure would be changed. Current vacancies within Technical Services included Street Lighting Engineer, Highways Engineer, Project Manager, Traffic Engineer, Traffic Group Engineer and Parking Officer but he was aware that the issue was not exclusive to Technical Services.

In response to a question from Councillor Reynolds about the timescales for the review of services, the Assistant Director explained that the team had been working with two Data Analysts for the last six months and a number of improvements had already been identified and implemented. Over the next 12 months the review would be completed in Planning/Building Control, Highway Maintenance and Street Works which had the highest level of customer interface. Where possible, improvements identified would be implemented as the review went along and an action plan would be put in place for any major IT restructuring required at the end of the 12 month period. SAP, timesheets and customer interface were currently standalone and there was more work to be done around integrating them, removing the manual interfaces and improving functionality for the users.

The chair thanked the Assistant Director for the report and asked him to take back the committee's concerns about the ongoing recruitment issues and look at ways in which the problem might be resolved.

RESOLVED, THAT the committee:

- 1) Note that the services transferred to the council on 1st February 2020 with minimal disruption to services following a major effort from the Place programme team and support from Service reform.
- 2) Note that the internal council programme to deal with the minor issues pertaining to the transition of services has now closed down and all services are operating as business as usual within existing council structures.
- 3) Note that a programme to review services ready for the next stage in the integration of services and identifying solutions for continuous improvement has commenced, and
- 4) Request that the Assistant Director raise with relevant parties within the council the serious concerns expressed by members about the ongoing difficulties in recruiting to management and technical posts and the resulting risk to, and impact on, service provision, with a view to examining if any changes need to be made to allow said posts to be filled on a permanent basis.

9. 2021 Risk Management Update

The Assistant Director Strategy and Performance explained that there were two elements to the report: an update on Salford City Council's Risk Management Strategy and Policy which was last reviewed in 2018, and the proposed Strategic Risk Register for 2021-22. She explained that good practice suggested that a review of the Risk Management Strategy and Policy should take place every two years, but last year's review had been postponed due to the pressures that the council faced in responding to the pandemic.

She highlighted the following:

- A review of the strategy and policy had been undertaken over the last three months, wherever possible in alignment with the Council's partners, and specifically in alignment with Salford Clinical Commissioning Group's Risk Management Strategy and Policy where appropriate.
- The language and layout used had been simplified to ensure it was easier for staff to engage with the strategy and process, hopefully resulting in risk being further embedded across the whole organisation.
- Key changes included the re-introduction of service group risk registers in line with good practice given the scale of the Council's business. These were aligned with the business planning and performance management arrangements now in place across all service groups. The fact that the more operational and tactical issues were captured in the service group risk registers ensured that the Strategic Risk Register could retain a purely strategic focus.
- The Strategic Risk Register now focused on four cross-cutting areas: governance, reputation, finance and legal issues.
- Target risk scores had been introduced across risk registers, meaning it was now easier to monitor progress, hold the organisation to account, demonstrate effective risk management practice, and provide better assurance to internal and external stakeholders.
- The Strategic Risk Register was intended to be dynamic and the risks and mitigating actions would be reviewed and updated where appropriate throughout the year.
- Risk management would be reported to the Corporate Management Team (CMT) on a quarterly basis and an update provided to both Cabinet and this committee twice annually.
- A fundamental review of the Strategic Risk Register had been undertaken coming into 2021/22, including a comprehensive risk session with CMT in May. It now took into account COVID-19, inequalities work and the operating environment for the organisation.
- The Strategic Risk Register had been pared back from 11 risks to seven, all of which now had a strategic owner as well as a day to day delivery manager.

The chair thanked the Assistant Director for the update and enquired whether it was possible to quantify the 'steady progress...made in embedding risk management throughout the Council' that was referred to in the report.

The Assistant Director explained that business plans across all service groups in the Council were due to be finalised within the next few weeks so as to allow a 'golden thread' through business plans, risk management, risk plans to performance management and reporting in the course of the year. The key element of risk management that had been missing was the service group risk plans linked to business plans and to performance management. She anticipated that within a couple of months all of those elements would be in place across the service groups.

The chair was pleased to hear about the progress in implementing even further improvements to the Council's risk management arrangements which had enabled it to deal well very well with the challenges that the pandemic had presented.

RESOLVED, THAT the committee:

- 1) Note the updated Salford City Council Risk Management Strategy and Process, and
- 2) Note the contents of the 2021-22 Strategic Risk Register.

10. External Auditors Update for the Committee – Mazars

The External Auditor confirmed that Mazars was planning to deliver the Council's audit over the next couple of months and intended to report back to committee in September. This was a very tight timescale given the amount of work involved, especially over the holiday period, but she assured the committee that the auditors would do everything they could do to try and meet the deadline.

She referred to the section in the report which referenced a number of reports and documents issued by other parties which might be of interest to the committee. She drew members' attention to item 7 MHCLG – Local authority financial reporting and external audit, Spring Update, 19 May 2021: item 8 National Audit Office - Local Government finance in the pandemic, March 2021, and 12 National Audit Office – Initial learning from the government's response to the COVID-19 pandemic, May 2021.

RESOLVED, THAT: the report, and the request for declarations from the chair of the Audit and Accounts Committee in relation to governance processes and arrangements, be noted.

11. The Audit & Accounts Committee Work Programme

RESOLVED, THAT: the Work Programme be noted as presented.

12. Urgent Business

There were no items of urgent business.

13. Date of Next Meeting

Wednesday 29th September 2021 at 2pm.

Committee Members attendance 2021/22

✓ = present; A = Apologies submitted; Blank = No apologies submitted.

Councillor/Member Name	June 23.06.21	July	Sept	Oct	Nov	Jan	March
Councillor R Garrido (chair)	✓	✓					
Councillor M Pevitt	A	A					
Councillor R Jones	A	A					
Councillor G Reynolds	A	✓					
Councillor A Shama	✓	✓					
Councillor P Tresadern	✓	A					
Councillor R Walker		A					
Councillor John Walsh	✓						
Councillor B Hinds (invitee)	online	A					
Vittoria Bugana (co-opted member)	A	A					
Edoardo Bucci (co-opted member)	✓	A					